

Ronson Europe N.V.

Interim Financial Report
for the nine months
ended
30 September 2016

Interim Financial Report for the nine months ended 30 September 2016

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Directors' report

Directors' Report

General

Introduction

Ronson Europe N.V. ('the Company') is a Dutch public company with its statutory seat in Rotterdam, the Netherlands, and was incorporated on 18 June 2007.

The Company (together with its Polish subsidiaries, 'the Group') is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. For information about companies in the Group whose financial data are included in the Condensed Consolidated Financial Statements see Note 7 of the Condensed Consolidated Financial Statements.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 September 2016, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Global City Holdings N.V. ('ITR 2012') (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and Amos Luzon Development and Energy Group Ltd. ('A. Luzon Group'), (formerly 'U. Dori Group Ltd.') and 39.78% of the outstanding shares are controlled by A. Luzon Group (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and A. Luzon Group). The remaining 20.44% of the outstanding shares are held by other investors including Metlife Otworthy Fundusz Emerytalny holding between 3% and 5% and Nationale Nederlanden Otworthy Fundusz Emerytalny holding between 5% and 10% of the outstanding shares as of the date of this report. For major shareholders of the Company reference is made to page 21. On 14 November 2016, the market price was PLN 1.33 per share giving the Company a market capitalization of PLN 362.2 million.

On 9 November 2016, the Company concluded an agreement with ITR 2012, under which the Company agreed to acquire (in order to subsequently redeem) 108,349,187 of its shares held by ITR 2012. For additional information see note 19 of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016.

Company overview

The Company is an experienced, fast-growing and dynamic residential real estate developer expanding its geographic reach to major metropolitan areas across Poland. Leveraging upon its large portfolio of secured sites, the Company believes it is well positioned to maintain its position as a leading residential development company throughout Poland.

The Company aims to maximize value for its shareholders by a selective geographical expansion in Poland as well as by creation of a portfolio of real estate development properties. Management believes the Company has positioned itself strongly to navigate the volatile economic environment the Company has found itself in over the past several years. On the one hand, the Polish economy appears to remain stable, which potentially bodes well for the Company's prospects. On the other hand, the tenuous European recovery, exacerbated in the last year by Middle East refugee crisis and results of the EU referendum in the United Kingdom which will lead to exit of the UK from European Union, may continue to have a negative impact on the Polish economy and the Company's overall prospects. As a result, the Company continues to adhere to a development strategy that allows it to adjust quickly to these uncertain conditions by spreading risks through (i) closely monitoring its projects, (ii) potentially modifying the number of projects and their quality and sizes and (iii) maintaining its conservative financial policy.

As at 30 September 2016, the Group has 1,256 units available for sale in fifteen locations, of which 1,110 units are available for sale in ten projects that are ongoing as at 30 September 2016, and the remaining 146 units are in completed projects. The ten ongoing projects comprise a total of 1,856 units, with a total area of 104,600 m². The construction of 473 units with a total area of 28,400 m² is expected to be completed during the remainder of 2016, while 1,383 units, with a total area of 76,200 m² are expected to be completed during 2017 and 2018.

In addition, the Group has a pipeline of 16 projects in different stages of preparation, representing approximately 4,495 units with a total area of approximately 302,500 m² for future development in Warsaw, Poznań, Wrocław and Szczecin.

During the nine months ended 30 September 2016, the Company realized sales of 546 units with the total value PLN 236.5 million which compares to sales of 658 units with the total value PLN 246.6 million during the nine months ended 30 September 2015.

Directors' report

Market overview

The Polish economy has proven to be strong even in the recent turbulent times throughout Europe, which in combination with the general paucity of dwellings in Poland (in comparison to all other European countries) creates, what management believes to be, solid long term prospects for further development of the residential real estate market in spite of the volatility that has characterized the market for the past nine years. Management believes the Company is well positioned to adapt to changing market conditions. The Company's sales results during the past years (even despite weakened dynamics during last three quarters, which the Management believes to be a temporary) seem to confirm that the Company has consistently adapted appropriately to volatile market environment.

After rapid changes in the real estate markets in 2008-2009 the activities of residential developers slowed down until 2013, when the development of only 128,000 units was commenced in the Polish market during that year. The market conditions started improving already during 2013 and since 2014 the scale of residential activities has been constantly increasing. The number of units commenced to be developed during 2015 reached 168,000, which was 14% higher than 2014 (and even by 31% higher than 2013). It is important to note that the number of newly opened projects built by developers increased during 2015 by 24% after a 36% increase during 2014, while the activity of individual investors increased only by 6% and 2%, respectively. The number of units introduced for construction furtherly increased during the first three quarters of 2016 but only by 4% (where the number of houses commenced by private individuals increased by 6% and the number of apartments commenced by developers increased by only 0.5%).

Meanwhile, a number of external factors have contributed to recent market growth. First, a governmental program that subsidized young couples purchasing their first apartments, called "Rodzina na Swoim" ("Family on its own") that expired at the end of 2012 was replaced with a new governmental program called "Mieszkanie dla Młodych" (Hereinafter "MDM") that came into effect in the beginning of 2014 and supports the residential market in those cities where the maximum price of apartment qualifying to subsidies is close to the market price (including for instance cities such as Gdańsk, Łódź or Poznań). Second, in the last few years, the National Bank of Poland has kept interest rates at record low levels (2.5% from July 2013 through September 2014 and 2.0% from October 2014 until March 2015, when the rate was further decreased to 1.5%). These historically low interest rates since 2013 positively impacted the residential market for two reasons. First, mortgage loans became more affordable to potential residential purchasers and second, more customers are purchasing apartments for cash, as they consider real estate investment as an attractive alternative to the very low interest earned on banking deposits.

Taking into consideration all these factors, the increase in demand for residential units noted in 2013, 2014 and 2015 has caught up with supply. The improving market environment has encouraged developers to expand their residential development activities. According to REAS (real estate agency analyzing the Polish residential market) developers introduced during 2014 more new apartments in major Polish metropolitan areas to their offer than they were able to sell in this period (47,500 new apartments in six major Polish metropolitan areas, including Warsaw, were added on offer by developers during 2014 which compares to total sales of 43,000 apartments during 2014). Despite the number of new apartments introduced to these markets increased to nearly 52,000 during 2015, the total offer of developers as end of year nearly has not changed as similar number of apartments were sold during that period. The total number of new apartments sold in Warsaw during 2015 amounted to 19,300 which was 14% higher than during 2014. Also, the number of new apartments sold in the five major Polish metropolitan areas (other than Warsaw) significantly increased in 2015 compared to 2014, i.e. by 25% (from 26,100 to 32,500). Despite sales results having reached relatively high levels compared with previous years, such robust sales have not translated into any increase in the overall price of apartments as the concomitant increase in development activity has resulted in supply balancing with demand. Moreover, the price limits imposed by the governmental program MDM plays a role as an incentive to many developers to shape their development activity to offer apartments at relatively low prices to allow purchasers to qualify for the government subsidies.

Directors' report

Market overview (cont'd)

The overall residential real estate market's first three quarters of 2016 activity reflected the general positive industry trends that have continued since 2014. The pre-sales volume at six major Polish metropolitan areas amounted to 43,600 units during the first three quarters of 2016, which was by 23% higher than for the same period last year. The number of units added on offer during the same period was 45,800 which resulted in the overall offer of developers being very stable. The total number of units offered for sale in the six largest Polish cities amounted to 51,300 at the end of September 2016 compared to 48,700 at the end of December 2015 and to 47,000 at the end of December 2014. This confirms that developers are adjusting their activities to market dynamics and are expanding their supply on a measured basis.

An anticipated continuation of stability of interest rates at relatively low levels in the next quarters, as well as the continuation in Poland of a stable economy may be still supportive to the positive situation in residential markets, even though the government is not going to support buyers of first apartments in such way as it used to through programs such as Rodzina na Swoim or MdM (which is to expire in 2017). The recently announced new program "Mieszkanie Plus" will be addressed to those young people, who do not qualify for mortgage loans due to insufficient income. Moreover, new residential projects are planned by the government (at least in initial phase of this program) in the medium sized and small towns, i.e. in those markets which are not interesting to the largest residential developers. It seems therefore that on the one hand the new governmental program will not support those individuals interested in buying their first apartment in leading Polish agglomerations, but on the other hand shall not be a source (especially during the coming few years) of direct competition for the leading market players.

Another source of potential uncertainty in the residential real estate market is related to other plans of the Polish government with respect to contemplated new regulations potentially affecting, among others, construction legislation and regulations related to perpetual usufruct. Despite announced good faith aimed at increased simplicity of the construction process in Poland, the introduction of new regulations may result – especially temporary – in turbulences and delays in commencing new projects by all developers.

Notwithstanding the above, Management continues to believe that considering all the above factors, it is likely that a continuous strengthening in the Polish residential market is foreseen for at least the following several quarters.

Directors' report

Business highlights during the nine months ended 30 September 2016

A. Projects completed

The table below presents information on the projects that were completed (i.e. completing all construction works and receiving occupancy permit) during nine months ended 30 September 2016:

Project name	Location	Number of units	Area of units (m ²)
Espresso II ^(*)	Warsaw	151	7,600
Moko I ^(*)	Warsaw	178	11,200
Panoramika II ^(*)	Szczecin	107	5,900
Kamienica Jeżyce I ^(*)	Poznań	144	7,800
Total		580	32,500

(*) For additional information see section 'B. Results breakdown by project' below.

B. Results breakdown by project

Revenue from the sale of residential units is recognized upon the transfer to the buyer of significant risks and rewards of the ownership of the residential unit, i.e. upon signing of the protocol of technical acceptance and the transfer of the key to the buyer of the residential unit. Total revenue of the Group recognized during the nine months ended 30 September 2016 amounted to PLN 202.6 million, whereas cost of sales amounted to PLN 161.5 million, which resulted in a gross profit amounting to PLN 41.1 million (and a gross margin of 20.3%).

The following table specifies revenue, cost of sales, gross profit and gross margin during the nine months ended 30 September 2016 on a project by project basis:

Project name	Information on the delivered units		Revenue ^(*)		Cost of sales ^(**)		Gross profit	Gross margin
	Number of units	Area of units (m ²)	PLN	%	PLN	%	PLN	%
			(thousand)		(thousand)		(thousand)	
Espresso II	138	6,943	48,569	24.0%	39,425	24.4%	9,144	18.8%
Moko I	147	8,610	71,257	35.2%	47,784	29.5%	23,473	32.9%
Panoramika II	67	3,251	14,466	7.1%	14,325	8.9%	141	1.0%
Kamienica Jeżyce I	8	434	2,603	1.3%	2,439	1.5%	164	6.3%
Młody Grunwald I & II	81	4,704	26,403	13.0%	25,930	16.1%	473	1.8%
Impressio	22	1,515	9,557	4.7%	9,779	6.1%	(222)	-2.3%
Sakura	15	879	6,434	3.2%	5,651	3.5%	783	12.2%
Tamka	13	1,002	12,473	6.2%	8,120	5.0%	4,353	34.9%
Verdis	2	148	1,716	0.8%	1,362	0.8%	354	20.6%
Naturalis I, II & III	16	1,032	5,423	2.7%	4,932	3.1%	491	9.1%
Other	1	260	3,664	1.8%	1,774	1.1%	1,890	51.6%
Total / Average	510	28,778	202,565	100.0%	161,521	100.0%	41,044	20.3%

(*) Revenue is recognized upon the transfer of significant risks and rewards of the ownership of the residential unit to the buyer, i.e. upon signing of the protocol of technical acceptance and the transfer of the key of the residential unit to the buyer.

(**) Cost of sales allocated to the delivered units proportionally to the expected total value of the project.

Espresso II

The construction of the Espresso II project was completed in May 2016. The second phase of this project was developed on a land strip of 4,500 m² located in Wola district in Warsaw at Jana Kazimierza Street and is a continuation of Espresso I, which was completed in February 2014. The Espresso II project comprises 2 seven-and-eight-storey, multi-family residential buildings with a total of 141 apartments and 10 commercial units and an aggregate floor space of 7,600 m².

Directors' report

Business highlights during the nine months ended 30 September 2016 (cont'd)

B. Results breakdown by project (cont'd)

Moko I

The construction of the Moko I project was completed in June 2016. The first phase of this project was developed on a land strip of 5,500 m² located in Mokotów district in Warsaw at Magazynowa Street. The Moko I project comprises 2 seven and eight-storey, multi-family residential buildings with a total of 166 apartments and 12 commercial units and an aggregate floor space of 11,200 m².

Panoramika II

The construction of the second stage of the Panoramika project was completed in July 2016. The second phase of this project was developed on a part of land strip of 4,800 m² located in Szczecin at Duńska Street, and is a continuation of the Panoramika I project. The project comprises 1 nine-storey, multi-family residential building with a total of 107 apartments and an aggregate floor space of 5,900 m².

Kamienica Jeżyce I

The construction of the first stage of the Kamienica Jeżyce project was completed in September 2016. The first phase of this project was developed on a land strip of 5,400 m² located in Jeżyce district in Poznań at Kościelna Street. The Kamienica Jeżyce I project comprises 4 five and six-storey, multi-family residential buildings with a total of 139 apartments and 5 commercial units with an aggregate floor space of 7,800 m².

Młody Grunwald I & II

The construction of the Młody Grunwald I project and the Młody Grunwald II project were completed in May 2014 and November 2015, respectively. The Młody Grunwald I and II projects were developed on a land strip of 10,600 m² located in Grunwald district in Poznań at Jeleniogórska Street. The Młody Grunwald I project comprises 3 six-storey, multi-family residential buildings with a total of 136 apartments and 12 commercial units and an aggregate floor space of 8,500 m². The Młody Grunwald II project comprises 3 six-storey, multi-family residential buildings with a total of 132 apartments and 5 commercial units and an aggregate floor space of 8,200 m².

Impressio

The construction of the last stage of Impressio project was completed in July 2015. The project was developed on a land strip of 14,500 m² located in the Grabiszyn district in Wrocław at Rymarska Street. The project comprises 8 four-storey, multi-family residential buildings with a total of 202 apartments and 4 commercial units and an aggregate floor space of 12,900 m².

Sakura

The construction of the last stage of Sakura project was completed in July 2015. The project was developed on a land strip of 21,000 m² located in Warsaw at Kłobucka Street. The project comprises 4 six-storey up to eleven-storey, multi-family residential buildings with a total of 488 apartments and 27 commercial units and an aggregate floor space of 30,300 m².

Tamka

The construction of the Tamka project was completed in September 2015. The Tamka project was developed on a land strip of 2,500 m² located in the Śródmieście district in Warsaw at Tamka Street (Warsaw city center). The Tamka project comprises 1 eight-storey, multi-family residential building with a total of 60 apartments and 5 commercial units with an aggregate floor space of 5,500 m².

Verdis

The construction of the last stage of Verdis project was completed in October 2015. The project was developed on a land strip of 16,400 m² located in the Wola district in Warsaw at Sowińskiego Street. The project comprises 8 seven-storey up to eleven-storey, multi-family residential buildings with a total of 418 apartments and 23 commercial units and an aggregate floor space of 26,100 m².

Directors' report

Business highlights during the nine months ended 30 September 2016 (cont'd)

B. Results breakdown by project (cont'd)

Naturalis I, II & III

The construction of the Naturalis I, II and III projects was completed in December 2012, August 2012 and August 2013, respectively. The Naturalis I, II and III projects were developed on a land strip of 11,800 m² located in Łomianki near Warsaw. The Naturalis I, II and III projects comprise 1 four-storey, multi-family residential building with a total of 52 apartments and an aggregate floor space of 2,900 m² and 2 four-storey, multi-family residential buildings, each with a total of 60 apartments and an aggregate floor space of 3,400 m².

Other

Other revenues are mainly associated with rental revenues and fee income for management services provided to joint ventures and delivering one house in the Constans project, as well as sales of parking places and storages in other projects that were completed in previous years.

C. Units sold during the period

The table below presents information on the total units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), during the nine months ended 30 September 2016:

Project name	Location	Units sold until 31 December 2015	Units sold during the 9 months ended 30 September 2016	Units for sale as at 30 September 2016	Total
Verdis ^(*)	Warsaw	428	2	11	441
Sakura ^(*)	Warsaw	486	10	19	515
Naturalis I, II & III ^(*)	Warsaw	158	9	5	172
Impressio ^(*)	Wrocław	185	14	7	206
Panoramika II ^(*)	Szczecin	60	25	22	107
Panoramika III ^(**)	Szczecin	-	7	115	122
Espresso II ^(*)	Warsaw	139	7	5	151
Espresso III ^(**)	Warsaw	65	64	26	155
Espresso IV ^(**)	Warsaw	-	45	101	146
Młody Grunwald I & II ^(*)	Poznań	227	24	34	285
Młody Grunwald III ^(**)	Poznań	-	20	88	108
Tamka ^(*)	Warsaw	49	8	8	65
Moko I ^(*)	Warsaw	124	30	24	178
Moko II ^(**)	Warsaw	89	22	56	167
Kamienica Jeżyce I ^(*)	Poznań	122	14	8	144
Kamienica Jeżyce II ^(**)	Poznań	68	54	29	151
City Link I ^{(**)/(***)}	Warsaw	122	107	94	323
City Link II ^{(**)/(***)}	Warsaw	-	48	141	189
Vitalia I ^(**)	Wrocław	-	5	134	139
Chilli IV ^(**)	Poznań	-	4	41	45
Nova Królikarnia I-V ^(**)	Warsaw	-	26	80	106
Miasto Moje I ^(**)	Warsaw	-	-	205	205
Other (old) projects		-	1	3	4
Total		2,322	546	1,256	4,124

(*) For information on the completed projects see "Business highlights during the nine months ended 30 September 2016 – B. Results breakdown by project" (pages 4 to 6).

(**) For information on current projects under construction, see "Outlook for the remainder of 2016– B. Current projects under construction" (pages 16 to 19).

(***) The project presented in the Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

Directors' report

Business highlights during the nine months ended 30 September 2016 (cont'd)

C. Units sold during the period (cont'd)

The table below presents further information on the units sold (i.e. total number of units for which the Company signed the preliminary sale agreements with the clients), including net saleable area (in m²) of the units sold and net value (exclusive of VAT) of the preliminary sales agreements (including also parking places and storages) executed by the Company, during the nine months ended 30 September 2016:

Project name	Location	Sold during the 9 months ended 30 September 2016		
		Number of units	Net saleable area (m ²)	Value of the preliminary sales agreements (in PLN thousands)
Verdis (*)	Warsaw	2	195	1,423
Sakura (*)	Warsaw	10	664	5,030
Naturalis I, II & III (*)	Warsaw	9	575	3,027
Impressio (*)	Wrocław	14	1,163	7,490
Panoramika II (*)	Szczecin	25	1,433	6,458
Panoramika III (**)	Szczecin	7	332	1,500
Espresso II (*)	Warsaw	7	396	3,037
Espresso III (**)	Warsaw	64	3,022	21,475
Espresso IV (**)	Warsaw	45	2,354	17,946
Młody Grunwald I & II (*)	Poznań	24	1,619	9,159
Młody Grunwald III (**)	Poznań	20	1,215	7,061
Tamka (*)	Warsaw	8	722	9,783
Moko I (*)	Warsaw	30	2,131	16,991
Moko II (**)	Warsaw	22	1,740	13,513
Kamienica Jeżyce I (*)	Poznań	14	884	5,355
Kamienica Jeżyce II (**)	Poznań	54	2,547	15,361
City Link I (**)/(***)	Warsaw	107	4,718	40,772
City Link II (**)/(***)	Warsaw	48	2,205	22,657
Vitalia I (**)	Wrocław	5	318	1,706
Chilli IV (**)	Poznań	4	240	980
Nova Królikarnia I-V (**)	Warsaw	26	2,482	24,602
Miasto Moje I (**)	Warsaw	-	-	-
Other (old) projects		1	90	1,114
Total		546	31,045	236,440

(*) For information on the completed projects see "Business highlights during the nine months ended 30 September 2016 – B. Results breakdown by project" (pages 4 to 6).

(**) For information on current projects under construction, see "Outlook for the remainder of 2016– B. Current projects under construction" (pages 16 to 19).

(***) The project presented in the Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.

Directors' report**Business highlights during the nine months ended 30 September 2016 (cont'd)*****D. Commencements of new projects***

The table below presents information on the projects for which the construction and/or sales process commenced during the nine months ended 30 September 2016:

Project name	Location	Number of units	Area of units (m²)
Espresso IV ^(*)	Warsaw	146	8,100
Młody Grunwald III ^(*)	Poznań	108	7,100
Chilli IV ^(*)	Poznań	45	2,900
Panoramika III ^(*)	Szczecin	122	5,800
City Link II ^{(*)/(**)}	Warsaw	189	8,800
Nova Królikarnia I-V ^(*)	Warsaw	106	10,700
Miasto Moje I ^(*)	Warsaw	205	10,900
Total		921	54,300

() For information on current projects under construction and/or on sale, see "Outlook for the remainder of 2016 – B. Current projects under construction and/or on sale" (pages 16-19).*

*(**) The project presented in the Condensed Consolidated Financial Statements under investment in joint ventures; the Company's share is 50%.*

E. Land purchase

In May 2016, the Company completed the acquisition of all rights to a plot of land at Marywilska Street in the Białołęka district in Warsaw with a size of 76,300 m². According to the valid zoning conditions, the plot is dedicated for a development of a residential multifamily project. The total purchase price amounted to PLN 36.1 million (net of VAT).

In August 2016, the Company completed the acquisition of another part of plot at Jaśminowa Street in Warsaw for its project Nova Królikarnia. Pursuant to a preliminary purchase agreement entered into with the Sellers of the property at Jaśminowa Street in Warsaw in June 2012 (the "Sellers"), the Company had the right to purchase properties with a total area up to 118,400 m² ("Real Properties"), provided that the Sellers fulfil a number of conditions precedent, which included concluding a court dispute between the Sellers and third parties concerning some of the properties covered by the preliminary purchase agreement (the "Disputed Real Properties"). Due to the fact that the above mentioned court dispute had not been concluded until May 2014, the agreements signed with the Sellers on that date did not include the Disputed Real Properties (and the total area of land initially purchased by the Company in 2014 amounted to 82,000 m²). Following a positive final outcome of the disputes concerning the Disputed Real Properties, the Company purchased also the outstanding plots of land (i.e. Disputed Real Properties) in August 2016, based on the same conditions that were already agreed with the Sellers in 2012. The total purchase price for the undisputed Real Properties that was settled by the Company until May 2014 was PLN 65.6 million and the price paid for the remaining plots, i.e. the Disputed Real Properties, in August 2016 amounted to PLN 17.4 million.

Directors' report**Overview of results**

The net profit attributable to the equity holders of the parent company for the nine months ended 30 September 2016 was PLN 10,825 thousand and can be summarized as follows:

	For the nine months ended 30 September	
	2016	2015
	PLN	
	(thousands, except per share data)	
Revenue	202,565	162,597
Cost of sales	(161,521)	(138,564)
Gross profit	41,044	24,033
Selling and marketing expenses	(5,831)	(5,024)
Administrative expenses	(14,259)	(13,307)
Share of profit/(loss) of associates	(903)	(327)
Other expense	(2,341)	(1,343)
Other income	657	2,384
Result from operating activities	18,367	6,416
Finance income	1,523	1,281
Finance expense	(6,587)	(5,501)
Net finance income/(expense)	(5,064)	(4,220)
Profit/(loss) before taxation	13,303	2,196
Income tax benefit/(expense)	(1,861)	(386)
Net profit/(loss) for the period before non-controlling interests	11,442	1,810
Non-controlling interests loss/(profit)	(617)	255
Net profit/(loss) for the period attributable to the equity holders of the parent	10,825	2,065
Earnings per share attributable to the equity holders of the parent (basic and diluted)	0.040	0.008

Directors' report

Overview of results (cont'd)

Revenue

Total revenue increased by PLN 40.0 million (24.6%) from PLN 162.6 million during the nine months ended 30 September 2015 to PLN 202.6 million during the nine months ended 30 September 2016, which is primarily explained by an increase in apartments delivered to customers in terms of area size (in m²), as well as a slight increase in the average selling price per m².

Cost of sales

Cost of sales increased by PLN 23.0 million (16.6%) from PLN 138.6 million during the nine months ended 30 September 2015 to PLN 161.5 million during the nine months ended 30 September 2016, which is primarily explained by an increase in apartments delivered to the customers in terms of area size (in m²).

Gross margin

The gross margin during the nine months ended 30 September 2016 was 20.3% which compares to a gross margin during the nine months ended 30 September 2015 of 14.8%, which increase reflects a higher dynamics of revenues than costs as mentioned above.

Selling and marketing expenses

Selling and marketing expenses increased by PLN 0.8 million (16.1%) from PLN 5.0 million during the nine months ended 30 September 2015 to PLN 5.8 million during the nine months ended 30 September 2016, which is primarily explained by the commencement of 7 new projects/stages with a total of 921 units during the nine months ended 30 September 2016 compared to 5 new projects/stages with a total of 786 units commenced during the nine months ended 30 September 2015.

Administrative expenses

Administrative expenses increased by PLN 1.0 million (7.2%) from PLN 13.3 million during the nine months ended 30 September 2015 to PLN 14.3 million during the nine months ended 30 September 2016. The increase is primarily explained by the increase in the Management Board bonus which is calculated in proportion to the profit before tax.

Other income

Other income decreased by PLN 1.7 million from PLN 2.4 million during the nine months ended 30 September 2015 to PLN 0.7 million during the nine months ended 30 September 2016, which is primarily explained by reversal costs during the nine months ended 30 September 2015 that were expensed in previous periods with respect to reparation of defects in one of the Company's completed projects, whereas during the nine months ended 30 September 2016 no such reversal took place.

Result from operating activities

As a result of the factors described above, the Company's operating result increased by PLN 12.0 million, from an operating profit of PLN 6.4 million for the nine months ended 30 September 2015 to an operating profit of PLN 18.4 million for the nine months ended 30 September 2016.

Directors' report**Overview of results (cont'd)***Net finance income/(expense)*

Finance income/(expense) is accrued and capitalized as part of the cost price of inventory to the extent this is directly attributable to the construction of residential units. Unallocated finance income/(expense) not capitalized is recognized in the statement of comprehensive income.

The table below shows the finance income/(expense) before capitalization into inventories and the total finance income/(expenses) capitalized into inventories:

	For the nine months ended 30 September 2016		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,523	-	1,523
Finance expense	(11,908)	5,321	(6,587)
Net finance income/(expense)	(10,385)	5,321	(5,064)

	For the nine months ended 30 September 2015		
	PLN (thousands)		
	<u>Total amount</u>	<u>Amount capitalized</u>	<u>Recognized as profit or loss</u>
Finance income	1,281	-	1,281
Finance expense	(12,851)	7,350	(5,501)
Net finance income/(expense)	(11,570)	7,350	(4,220)

Net finance expenses before capitalization decreased by PLN 1.2 million (10.2%) from PLN 11.6 million during the nine months ended 30 September 2015 to PLN 10.4 million during the nine months ended 30 September 2016. Simultaneously, the average net debt position decreased from PLN 183.4 million during the nine months ended 30 September 2015 to PLN 132.5 million during the nine months ended 30 September 2016.

Income tax benefit/(expenses)

During the nine months ended 30 September 2016, the income tax expenses amounted to PLN 1,861 thousand in comparison to a tax expense of PLN 386 thousand during the nine months ended 30 September 2015.

Non-controlling interests

Non-controlling interests comprise the share of minority shareholders in profit and losses from subsidiary that is not 100% owned by the Company. During the nine months ended 30 September 2016 the minority shareholders' share in the profit amounted to PLN 617 thousand (negatively impacting equity attributable to the holders of the parent), as compared to a share in loss amounting to PLN 255 thousand (positive impact) during the nine months ended 30 September 2015. The change in the non-controlling interest is explained by revenue and income recognized from the Espresso II project that was completed in May 2016.

Directors' report**Overview of selected details from the Interim Condensed Consolidated Statement of Financial Position**

The following table presents selected details from the Interim Condensed Consolidated Statement of Financial Position in which material changes had occurred.

	As at 30 September 2016	As at 31 December 2015
	PLN (thousands)	
Inventory	<u>719,849</u>	<u>701,287</u>
Advances received	<u>145,287</u>	<u>116,881</u>
Loans and borrowings	<u>234,885</u>	<u>250,110</u>

Inventory

The balance of inventory is PLN 719.8 million as of 30 September 2016 compared to PLN 701.3 million as of 31 December 2015. The increase in inventory is primarily explained by the Group's investments associated with direct construction costs for a total amount of PLN 109.9 million and increase in land and related expenses for a total amount of PLN 56.7 million. The increase is offset in part by cost of sales recognized for a total amount of PLN 161.0 million.

Advances received

The balance of advances received is PLN 145.3 million as of 30 September 2016 compared to PLN 116.9 million as of 31 December 2015. The increase is a result of advances received from clients regarding sales of residential units for a total amount PLN 231.0 million and is offset in part by revenues recognized from the sale of residential units for a total amount of PLN 202.6 million.

Loans and borrowings

The total of short-term and long-term loans and borrowings is PLN 234.9 million as of 30 September 2016 compared to PLN 250.1 million as of 31 December 2015. The decrease in loans and borrowings is primarily explained by the effect of repayment of bank loans for a total amount of PLN 92.0 million and repayment of bond loans for a total amount of PLN 17.8 million. The decrease is offset in part by the effect of proceeds from bank loans net of bank charges for a total amount of PLN 36.3 million and proceeds from bond loans, net of issue costs for a total amount of PLN 53.9 million. Of the mentioned PLN 234.9 million, an amount of PLN 89.7 million comprises facilities maturing no later than 30 September 2017.

The maturity structure of the loans and borrowings reflects the Company's recent activities related to bonds issued from 2013 through the nine months ended 30 September 2016 as well as the maturity of the banking loans that were obtained by the Company to finance construction costs of the projects developed by the Company.

The balance of loans and borrowings may be split into three categories: 1) floating rate bond loans, 2) banking loans related to residential projects which are completed or under construction, 3) loans from third parties.

Floating rate bond loans as at 30 September 2016 amounted to PLN 229.9 million comprising a loan principal amount of PLN 228.5 million plus accrued interest of PLN 3.6 million minus one-time costs directly attributed to the bond issuances which are amortized based on the effective interest method (PLN 2.2 million). For additional information see Note 10 of the Interim Condensed Consolidated Financial Statements.

The bank loans supporting completed projects or projects under construction are tailored to the pace of construction works and of sales. As at 30 September 2016, loans in this category amounted to PLN 1.9 million.

Loans from third parties as at 30 September 2016 amounted to PLN 3.0 million.

Directors' report**Overview of cash flow results**

The Group funds its day-to-day operations principally from cash flow provided by its operating activities, loans and borrowings under its loan facilities.

The following table sets forth the cash flow on a consolidated basis:

	For the nine months ended	
	30 September	
	2016	2015
	PLN (thousands)	
Cash flow from/(used in) operating activities	<u>35,168</u>	<u>(14,926)</u>
Cash flow from/(used in) investing activities	<u>(324)</u>	<u>(6,245)</u>
Cash flow from/(used in) financing activities	<u>(41,353)</u>	<u>24,788</u>

Cash flow from/(used in) operating activities

The Company's net cash inflow from operating activities for the nine months ended 30 September 2016 amounted to PLN 35.2 million which compares to a net cash outflow used in operating activities during the nine months ended 30 September 2015 amounting to PLN 14.9 million. The increase is principally explained by:

- a net cash outflow used in inventory amounting to PLN 13.2 million during the nine months ended 30 September 2016 as compared to a net cash outflow used in inventory amounting to PLN 43.9 million during the nine months ended 30 September 2015;
- a net cash inflow from advances received from clients regarding sales of residential units amounting to PLN 231.0 million during the nine months ended 30 September 2016, which was in part offset by revenue recognized for a total amount of PLN 202.6 million, in comparison to a cash inflow from advances received in the amount of PLN 201.1 million during the nine months ended 30 September 2015, which was in part offset by revenue recognized for a total amount of PLN 162.6 million.

Cash flow from/(used in) investing activities

The Company's net cash outflow used in investing activities amounting to PLN 0.3 million during the nine months ended 30 September 2016 compared to a net cash outflow used in investing activities totaling PLN 6.2 million during the nine months ended 30 September 2015. The increase is primarily explained by:

- a net cash inflow from collateralized short-term bank deposits amounting to PLN 34 thousand during the nine months ended 30 September 2016 compared to a net cash outflow used in collateralized short-term bank deposits of PLN 2.1 million during the nine months ended 30 September 2015;
- a cash inflow from investments in joint ventures amounting to PLN 0.4 million during the nine months ended 30 September 2016 compared to a cash outflow used in investments in joint ventures amounting to PLN 4.8 million during the nine months ended 30 September 2015.

Directors' report

Overview of cash flow results (cont'd)

Cash flow from/(used in) financing activities

The Company's net cash outflow used in financing activities amounted to PLN 41.4 million during the nine months ended 30 September 2016 compared to a net cash inflow from financing activities amounted to PLN 24.8 million in the nine months ended 30 September 2015. The decrease is primarily due to:

- proceeds from bank loans net of bank charges amounting to PLN 36.3 million during the nine months ended 30 September 2016 compared to proceeds from bank loans net of bank charges amounting to PLN 102.3 million during the nine months ended 30 September 2015;
- a repayment of bond loans amounting to PLN 17.8 million during the nine months ended 30 September 2016 compared to a repayment of bond loans amounting to PLN nil during the nine months ended 30 September 2015;
- a payment of dividend amounting to PLN 21.8 million during the nine months ended 30 September 2016 compared to PLN nil during the nine months ended 30 September 2015.

The above mentioned effects were offset in part by:

- a repayment of secured bank loans amounting to PLN 92.0 million during the nine months ended 30 September 2016 compared to a repayment of secured bank loans amounting to PLN 106.9 million during the nine months ended 30 September 2015;
- proceeds from the issuance of new bond loans amounting to PLN 53.9 million (net of issue costs) during the nine months ended 30 September 2016 compared to PLN 29.4 million (net of issue costs) during the nine months ended 30 September 2015.

Quarterly reporting by the Company

As a result of requirements (indirectly) pertaining to I.T.R. Dori B.V., one of the Company's larger shareholders, whose ultimate parent company is listed on the Tel Aviv stock exchange, the first quarter reports, semi-annual reports and third quarter reports are subject to a full scope review by the Company's auditors. For the Company itself, being domiciled in the Netherlands and listed on the Warsaw stock exchange, only the semi-annual report is subject to a review. The Company has agreed with the ultimate parent company of I.T.R. Dori B.V. that the costs for the first and third quarter review will be fully reimbursed to the Company. The Company considers having its first and third quarter report provided with a review report a benefit to all of its shareholders.

Financial information

The Interim Condensed Consolidated Financial Statements as included in this Interim Financial Report on pages 23 through 50 have been prepared in accordance with IAS 34 "Interim financial reporting".

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015 which have been prepared in accordance with IFRS. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group's activities, the IFRSs applied by the Group are not different from the IFRS endorsed by the European Union. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). For additional information, see Note 3 of the Interim Condensed Consolidated Financial Statements.

Directors' report

Selected financial data

PLN/EUR	Exchange rate of Polish Zloty versus Euro			
	Average exchange rate	Minimum exchange rate	Maximum exchange rate	Period end exchange rate
2016 (9 months)	4.359	4.236	4.499	4.312
2015 (9 months)	4.158	3.982	4.334	4.239

Source: National Bank of Poland ("NBP")

Selected financial data	EUR*		PLN	
	(thousands, except per share data and number of shares)			
	For the nine months ended 30 September or as at 30 September			
	2016	2015	2016	2015
Revenues	46,471	39,105	202,565	162,597
Gross profit	9,416	5,780	41,044	24,033
Profit before taxation	3,052	528	13,303	2,196
Net profit for the period attributable to the equity holders of the parent	2,483	497	10,825	2,065
Cash flows from/(used in) operating activities	8,068	(3,590)	35,168	(14,926)
Cash flows from/(used in) investing activities	(74)	(1,502)	(324)	(6,245)
Cash flows from/(used in) financing activities	(9,487)	5,962	(41,353)	24,788
Increase/(decrease) in cash and cash equivalents	(1,493)	870	(6,509)	3,617
Inventory	166,941	178,714	719,849	757,567
Total assets	205,191	214,228	884,785	908,111
Advances received	33,694	32,431	145,287	137,476
Long term liabilities	36,327	53,464	156,644	226,634
Short term liabilities (including advances received)	64,719	53,863	279,067	228,326
Equity attributable to the equity holders of the parent	103,603	106,465	446,734	451,307
Share capital	5,054	5,054	20,762	20,762
Average number of equivalent shares (basic)	272,360,000	272,360,000	272,360,000	272,360,000
Net earnings per share (basic and diluted)	0.009	0.002	0.040	0.008

* Information is presented in EUR solely for presentation purposes. Due to changes in the Polish Zloty against the Euro exchange rate over the past period, the Statement of Financial Position data may not accurately reflect the actual comparative financial position of the Company. The reader should consider changes in the PLN / EUR exchange rate from 1 January 2015 to 30 September 2016, when reviewing this data.

Selected financial data were translated from PLN into EUR in the following way:

(i) Statement of financial position data were translated using the period end exchange rate published by the National Bank of Poland for the last day of the period.

(ii) Statement of comprehensive income and cash flows data were translated using the arithmetical average of average exchange rates published by the National Bank of Poland.

Directors' report

Outlook for the remainder of 2016

A. Completed projects

The table below presents information on the total residential units in the completed projects/stages that the Company expects to sell and deliver during the remainder of 2016 and 2017:

Project name	Location	Number of units delivered (*)			Number of residential units expected to be delivered (*)			Total project
		Until 31 December 2015	During the nine months ended 30 September 2016	Total units delivered	Sold until 30 September 2016	Units for sale at 30 September 2016	Total units expected to be delivered	
Espresso II (**)	Warsaw	-	138	138	8	5	13	151
Moko I (**)	Warsaw	-	147	147	7	24	31	178
Panoramika II (**)	Szczecin	-	67	67	18	22	40	107
Kamienica Jeżyce I (**)	Poznań	-	8	8	128	8	136	144
Młody Grunwald I-II (**)	Poznań	166	81	247	4	34	38	285
Naturalis I,II & III (**)	Warsaw	150	16	166	1	5	6	172
Sakura (**)	Warsaw	479	15	494	2	19	21	515
Verdis (**)	Warsaw	423	2	425	5	11	16	441
Tamka (**)	Warsaw	42	13	55	2	8	10	65
Impressio (**)	Wrocław	172	22	194	5	7	12	206
Other (old) projects		-	1	1	2	3	5	6
Total		1,432	510	1,942	182	146	328	2,270

(*) For the purpose of disclosing information related to the particular projects, the word "sell" ("sold") is used, that relates to signing the preliminary sale agreement with the client for the sale of the apartment; whereas the word "deliver" ("delivered") relates to the transferring of significant risks and rewards of the ownership of the residential unit to the client.

(**) For information on the completed projects see "Business highlights during the nine months ended 30 September 2016 – B. Results breakdown by project" (pages 4-6).

B. Current projects under construction and/or on sale

The table below presents information on projects for which completion is scheduled in the remainder of 2016, 2017 and 2018. The Company has obtained construction permits for all projects/stages and has commenced construction.

Project name	Location	Units sold until 30 September 2016	Units for sale as at 30 September 2016	Total units	Total area of units (m ²)	Expected completion of construction
Espresso III	Warsaw	129	26	155	8,500	2016
Moko II	Warsaw	111	56	167	12,500	2016
Kamienica Jeżyce II	Poznań	122	29	151	7,400	2016
City Link I (*)	Warsaw	229	94	323	14,700	2017
Vitalia I	Wrocław	5	134	139	7,200	2017
Chilli IV	Poznań	4	41	45	2,900	2017
Młody Grunwald III	Poznań	20	88	108	7,100	2017
Espresso IV	Warsaw	45	101	146	8,100	2017
Panoramika III	Szczecin	7	115	122	5,800	2017
Nova Królikarnia I-V	Warsaw	26	80	106	10,700	2017
City Link II (*)	Warsaw	48	141	189	8,800	2018
Miasto Moje I	Warsaw	-	205	205	10,900	2018
Total		746	1,110	1,856	104,600	

(*) The project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in the project is 50%.

Directors' report

Outlook for the remainder of 2016 (cont'd)***B. Current projects under construction and/or on sale (cont'd)******Espresso III and IV****Description of project*

The third and the fourth (and last) phases of the Espresso project are being developed on a land strip of 7,500 m² located in Wola district in Warsaw at Jana Kazimierza Street, and are a continuation of Espresso I and II projects which were completed in 2014 and in May 2016, respectively. The third and the fourth phase of this project will comprise a six-seven-and-eight-storey, multi-family residential building with a total of 147 apartments and 8 commercial units and an aggregate floor space of 8,500 m² and a six-eight-storey, multi-family residential building with a total of 135 apartments and 11 commercial units and an aggregate floor space of 8,100 m², respectively.

Stage of development

The construction of the Espresso III project commenced in February 2015, while completion is expected in the fourth quarter of 2016. The construction of the Espresso IV project commenced in March 2016, while completion is expected in the fourth quarter of 2017.

Moko II*Description of project*

The second (and last) phase of the Moko project is being developed on a land strip of 6,500 m² located in Mokotów district in Warsaw at Magazynowa Street and is a continuation of the Moko I project which was completed in June 2016. The second phase of this project will comprise 2 seven and eight-storey, multi-family residential buildings with a total of 160 apartments and 7 commercial units and an aggregate floor space of 12,500 m².

Stage of development

The construction of the Moko II project commenced in February 2015, while completion is expected in the fourth quarter of 2016.

Kamienica Jeżyce II*Description of project*

The second (and last) phase of the Kamienica Jeżyce project is being developed on a land strip of 4,200 m² located in Jeżyce district in Poznań at Kościelna Street and is a continuation of the Kamienica Jeżyce I project which was completed in September 2016. The second phase of this project will comprise 5 five and six-storey, multi-family residential buildings with a total of 151 apartments with an aggregate floor space of 7,400 m².

Stage of development

The construction of the Kamienica Jeżyce II project commenced in May 2015, while completion is expected in the fourth quarter of 2016.

Directors' report

Outlook for the remainder of 2016 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

City Link I and II

Description of project

The first and second phases (and last) of this project are being developed on a land strip of 8,900 m² located in the Wola district in Warsaw at Skierniewicka street. The first and second phase of this project will comprise 1 six to ten-storey, multi-family residential building with a total of 301 apartments and 22 commercial units with an aggregate floor space of 14,700 m² and 1 seventeen-storey, multi-family residential building with a total of 184 apartments and 5 commercial units with an aggregate floor space of 8,800 m²

Stage of development

The construction of the City Link I project commenced in April 2015, while completion is expected in the second quarter of 2017. The pre-sales of the City Link II project commenced in April 2016, while the construction commenced in November 2016. Completion of the City Link II project is expected in the second quarter of 2018.

Vitalia I

Description of project

The first phase of this project will be developed in phases on a part of land strip of 18,500 m² located in Krzyki district in Wrocław at Jutrzenki Street. The first phase of this project will comprise 2 three to four-storey, multi-family residential buildings with a total of 139 apartments with an aggregate floor space of 7,200 m².

Stage of development

The construction of the Vitalia I project commenced in December 2015, while completion is expected in the second quarter of 2017.

Młody Grunwald III

Description of project

The third and last phase of the Młody Grunwald project is being developed on a part of land strip of 4,800 m² located in Grunwald district in Poznań at Jeleniogórska Street, and is a continuation of the Młody Grunwald I and II projects, which were completed in 2014 and 2015, respectively. The third phase of this project will comprise 3 six-storey, multi-family residential buildings with a total of 104 apartments and 4 commercial units with an aggregate floor space of 7,100 m².

Stage of development

The construction of the Młody Grunwald III project commenced in March 2016, while completion is expected in the third quarter of 2017.

Chilli IV

Description of project

The fourth phase of the Chilli project is being developed on a part of land strip of 5,500 m² located in Tulce near Poznań, and is a continuation of the Chilli I, II and III projects, which were completed in 2012, 2013 and 2014, respectively. The fourth phase of this project will comprise 45 apartments units with an aggregate floor space of 2,900 m².

Stage of development

The construction of the Chilli IV project commenced in June 2016, while completion is expected in the third quarter of 2017.

Directors' report

Outlook for the remainder of 2016 (cont'd)

B. Current projects under construction and/or on sale (cont'd)

Panoramika III

Description of project

The third phase of the Panoramika project is being developed on a part of land strip of 5,800 m² located in Szczecin at Duńska Street, and is a continuation of the Panoramika I and II projects, which were completed in 2012 and in July 2016, respectively. The third phase of this project will comprise 1 nine-storey, multi-family residential building with a total of 122 apartments and an aggregate floor space of 5,800 m².

Stage of development

The construction of the Panoramika III project commenced in May 2016, while completion is expected in the fourth quarter of 2017.

Nova Królikarnia I

Description of project

The first stage of the Nova Królikarnia project is being developed on a land strip of 17,100 m² located in the Mokotów district in Warsaw at Jaśminowa Street. The first stage of this project will comprise up to 98 apartments and 8 commercial units with an aggregate floor space of 10,700 m², which will be developed in smaller sections that may be completed separately.

Stage of development

The construction of the Nova Królikarnia I project (including 5 sub stages) commenced in June 2016 and the sales progress commenced in July 2016, while the completion of the first stage expected in the fourth quarter of 2017.

Miasto Moje I (previously named Marywilka)

Description of project

The first stage of the Miasto Moje project is being developed on a land strip of 12,700 m² located in the Białołęka district in Warsaw at Marywilka Street. In May 2016, the Company completed the acquisition of all rights to the land following a waiver to the pre-emption right by the municipality, the city of Warsaw. The first stage of this project will comprise 191 apartments and 14 commercial units with an aggregate floor space of 10,900 m².

Stage of development

The construction of the Miasto Moje I project commenced in June 2016 and the sales progress commenced in September 2016, while completion is expected in the first quarter of 2018.

Directors' report

Outlook for the remainder of 2016 (cont'd)

C. Value of the preliminary sales agreements signed with clients for which revenue has not been recognized in the Condensed Consolidated Statement of Comprehensive Income

The current volume and value of the preliminary sales agreements signed with the clients do not impact the Condensed Consolidated Statement of Comprehensive Income account immediately but only after final settlement of the contracts with the customers (for more details see under "A – Completed projects" above on page 16). The table below presents the value of the preliminary sales agreements executed with the Company's clients in particular for units that have not been recognized in the Condensed Consolidated Statement of Comprehensive Income:

Project name	Location	Value of the preliminary sales agreements signed with clients in thousands of PLN	Completed / expected completion of construction
Moko I ^(*)	Warsaw	3,709	Completed
Espresso II ^(*)	Warsaw	2,515	Completed
Tamka ^(*)	Warsaw	2,911	Completed
Impressio ^(*)	Wrocław	3,682	Completed
Verdis ^(*)	Warsaw	2,327	Completed
Sakura ^(*)	Warsaw	1,950	Completed
Młody Grunwald I, II ^(*)	Poznań	1,701	Completed
Naturalis I, III & III ^(*)	Warsaw	391	Completed
Kamienica Jeżyce I ^(*)	Poznań	38,798	Completed
Panoramika II ^(*)	Szczecin	4,695	Completed
Other (old) projects		1,690	Completed
Subtotal completed projects		64,369	
Espresso III ^(**)	Warsaw	46,407	2016
Moko II ^(**)	Warsaw	51,331	2016
Kamienica Jeżyce II ^(**)	Poznań	31,669	2016
Młody Grunwald III ^(**)	Poznań	7,062	2017
Espresso IV ^(**)	Warsaw	17,965	2017
Panoramika III ^(**)	Szczecin	1,500	2017
Vitalia I ^(**)	Wrocław	1,706	2017
Chilli IV ^(**)	Poznań	980	2017
Nova Królikarnia I-V ^(**)	Warsaw	24,603	2017
Subtotal ongoing projects		183,223	
City Link I ^{(**)/(***)}	Warsaw	84,046	2017
City Link II ^{(**)/(***)}	Warsaw	22,657	2018
Subtotal project held by joint venture		106,703	
Total		354,295	

^(*) For information on the completed projects see "Business highlights during the nine months ended 30 September 2016 – B. Results breakdown by project" (pages 4-6).

^(**) For information on current projects under construction and/or on sale, see under "B" above (pages 16-19).

^(***) This project is presented in the Consolidated Financial Statements under Investment in joint ventures, the Company's share in this project is 50%.

D. Main risks and uncertainties during the remainder of 2016

While the improving market in 2014, 2015 and the first nine months of 2016 potentially bodes well for the Company for the remainder of 2016 and for 2017, the overall economic and geopolitical situation in Europe and in Poland make it very difficult to predict with precision the anticipated results for the remainder of 2016. The level of development of the Polish economy, the performance of the banking industry, consumers' interest in new housing projects, increasing competition in the market and the changes in construction law contemplated by the Polish government are considered to be the most significant uncertainties for the remainder of the financial year ending 31 December 2016.

Directors' report**Outlook for the remainder of 2016 (cont'd)****Additional information to the report**

To the best of the Company's knowledge, as of the date of preparation of this short report for the nine months ended 30 September 2016 (14 November 2016), the following shareholders are entitled to exercise over 3% of the voting rights at the General Meeting of Shareholders in the Company:

Shares

	As of 14 November 2016 Number of shares / % of shares	Change in number of shares	As of 30 September 2016 Number of shares / % of shares	Change in number of shares	As of 31 December 2015 Number of shares / % of shares
<i>Shares issued</i>	272,360,000	-	272,360,000	-	272,360,000
<i>Major shareholders:</i>					
I.T.R. 2012 B.V. ⁽¹⁾	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
I.T.R. Dori B.V. ⁽¹⁾	87,449,187 32.1%	-	87,449,187 32.1%	-	87,449,187 32.1%
RN Residential B.V. ⁽²⁾	41,800,000 15.3%	-	41,800,000 15.3%	-	41,800,000 15.3%
Metlife Otworthy Fundusz Emerytalny ⁽³⁾	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.	N/A	N/A Between 3%-5%.
Nationale Nederlanden Otworthy Fundusz Emerytalny ⁽⁴⁾	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.	N/A	N/A Between 5%-10%.

(1) In December 2012, I.T.R. 2012 B.V. and I.T.R. Dori B.V. entered into a partnership formed under Dutch law, which holds the voting rights attached to 174,898,374 shares in the Company representing 64.2% of the total number of shares in the Company, which were previously held by I.T.R. Dori B.V. I.T.R. 2012 B.V. is an indirect subsidiary of Global City Holdings N.V. and I.T.R. Dori B.V. is a subsidiary of A. Luzon Group (formerly U. Dori Group Ltd).

(2) On 14 November 2013, the shares in RN Residential B.V. (formerly GE Real Estate CE Residential B.V.) were (indirectly, through the acquisition of the shares of RN Development Holding B.V.) acquired by I.T.R. 2012 B.V. and A. Luzon Group, which due to this transaction increased indirect shareholding in Ronson by 7.67% each. As a result of this transaction Global City Holdings N.V. indirectly controls 39.78% of the Company's shares and A. Luzon Group. indirectly controls 39.78% of the Company's shares.

(3) Formerly Amplico Otworthy Fundusz Emerytalny.

(4) Formerly ING Otworthy Fundusz Emerytalny.

On 9 November 2016, the Company concluded an agreement with I.T.R. 2012 B.V. under which the Company agreed to acquire (in order to subsequently redeem) 108,349,187 of its shares held by I.T.R. 2012 B.V. For additional information see note 19 of the Interim Condensed Consolidated Financial Statements.

Changes in the Management Board in the nine months ended 30 September 2016 and until the date of publication of this report

The Annual General Meeting of Shareholders held on 20 April 2016 approved the appointment of Mr Roy Vishnovizki as member of the Management Board and managing director B for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Vishnovizki replaced Mr Yosef Shaked, who stepped down as managing director B effective on the day of the Annual General Meeting of Shareholders (20 April 2016).

Changes in the Supervisory Board in the nine months ended 30 September 2016 and until the date of publication of this report

The Annual General Meeting of Shareholders held on 20 April 2016 approved the appointment of Mr Amos Luzon as member of the Supervisory Board for a term of four years. His appointment came into force as of the day of the adoption of the resolution. Mr Luzon replaced Mr Arie Mientkavich, who stepped down as Supervisory Board director effective on the day of the Annual General Meeting of Shareholders (20 April 2016).

Directors' report

Additional information to the report (cont'd)

Changes in ownership of shares and rights to shares by Supervisory Board members in the nine months ended 30 September 2016 and until the date of publication of this report

As at 30 September 2016 and as at the day of publishing this report Mr Amos Luzon held 78.04% of the shares and voting rights in A. Luzon Group and as a result, thus indirectly held a 31.05% interest in the Company.

Changes in ownership of shares and rights to shares by Management Board members in the nine months ended 30 September 2016 and until the date of publication of this report

None

Other

As of 30 September 2016, the Company has issued guarantees for bank loans granted to subsidiaries amounting to a total of PLN 4.1 million.

As of 30 September 2016, the Group had no litigations for claims or liabilities that in total would exceed 10% of the Group's equity.

Responsibility statement

The Management Board confirms that, to the best of its knowledge, these Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 "Interim financial reporting". At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the IFRS applied by the Group and the IFRS endorsed by the European Union. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). The Interim Condensed Consolidated Financial Statements give a true and fair view of the state of affairs of the Group at 30 September 2016 and of the net result for the period then ended.

The Directors' report in this Interim Financial Report gives a true and fair view of the situation on the balance sheet date and of developments during the nine months period together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year. The nine months management board report gives a true and fair view of the important events of the past nine-month period and their impact on the interim financial statements, as well as the principal risks and uncertainties for the period to come, and the most important related party transactions.

The Management Board

Shraga Weisman
 Chief Executive Officer

Tomasz Łapiński
 Chief Financial Officer

Andrzej Gutowski
 Sales and Marketing Director

Erez Yoskovitz

Roy Vishnovizki

Rotterdam, 14 November 2016

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Interim Condensed Consolidated Statement of Financial Position**

As at		30 September 2016 (Reviewed/ Unaudited)	31 December 2015 (Audited)
<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>		
Assets			
Property and equipment		9,037	8,872
Investment property		8,743	8,743
Investment in joint ventures	18	1,354	17,438
Deferred tax assets		12,535	11,303
Total non-current assets		31,669	46,356
Inventory	9	719,849	701,287
Trade and other receivables and prepayments		9,343	18,493
Income tax receivable		488	428
Short-term bank deposits - collateralized		4,059	4,093
Loans granted to third parties		495	458
Loans granted to joint ventures	18	15,140	-
Other current financial assets		10,720	4,198
Cash and cash equivalents		93,022	99,531
Total current assets		853,116	828,488
Total assets		884,785	874,844
Equity			
Share capital		20,762	20,762
Share premium		282,873	282,873
Retained earnings		143,099	154,063
Equity attributable to equity holders of the parent		446,734	457,698
Non-controlling interests		2,340	1,723
Total equity		449,074	459,421
Liabilities			
Floating rate bond loans	10	143,237	171,538
Secured bank loans	11	1,928	42,099
Loans from third parties		45	906
Share based payment liabilities	12	735	630
Deferred tax liability		10,699	7,780
Total non-current liabilities		156,644	222,953
Trade and other payables and accrued expenses		42,566	38,574
Floating rate bond loans	10	86,682	18,759
Secured bank loans	11	-	14,803
Loans from third parties		2,993	2,005
Advances received		145,287	116,881
Income tax payable		136	7
Provisions		1,403	1,441
Total current liabilities		279,067	192,470
Total liabilities		435,711	415,423
Total equity and liabilities		884,785	874,844

The notes included on pages 28 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Interim Condensed Consolidated Statement of Comprehensive Income**

		For the 9 months ended 30 September 2016 (Reviewed) / (unaudited)	For the 3 months ended 30 September 2016 (Reviewed) / (unaudited)	For the 9 months ended 30 September 2015 (Reviewed) / (unaudited)	For the 3 months ended 30 September 2015 (Reviewed) / (unaudited)
<i>PLN (thousands, except per share data and number of shares)</i>	<i>Note</i>				
Revenue		202,565	91,337	162,597	68,383
Cost of sales		(161,521)	(70,162)	(138,564)	(61,211)
Gross profit		41,044	21,175	24,033	7,172
Selling and marketing expenses		(5,831)	(1,743)	(5,024)	(1,483)
Administrative expenses		(14,259)	(4,744)	(13,307)	(4,375)
Share of profit/(loss) in joint ventures		(903)	(271)	(327)	(84)
Other expenses		(2,341)	(681)	(1,343)	(315)
Other income		657	284	2,384	196
Result from operating activities		18,367	14,020	6,416	1,111
Finance income		1,523	460	1,281	473
Finance expense		(6,587)	(2,375)	(5,501)	(2,079)
Net finance income/(expense)		(5,064)	(1,915)	(4,220)	(1,606)
Profit/(loss) before taxation		13,303	12,105	2,196	(495)
Income tax benefit/(expense)	13	(1,861)	(1,767)	(386)	24
Profit/(loss) for the period		11,442	10,338	1,810	(471)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, net of tax		11,442	10,338	1,810	(471)
Total profit/(loss) for the period attributable to:					
equity holders of the parent		10,825	10,102	2,065	(375)
Non-controlling interests		617	236	(255)	(96)
Total profit/(loss) for the period, net of tax		11,442	10,338	1,810	(471)
Total comprehensive income attributable to:					
equity holders of the parent		10,825	10,102	2,065	(375)
Non-controlling interests		617	236	(255)	(96)
Total comprehensive income for the period, net of tax		11,442	10,338	1,810	(471)
Weighted average number of ordinary shares (basic)		272,360,000	272,360,000	272,360,000	272,360,000
<i>In Polish Zlotys (PLN)</i>					
Net earnings per share attributable to the equity holders of the parent (basic and diluted)		0.040	0.037	0.008	(0.001)

The notes included on pages 28 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Interim Condensed Consolidated Statement of Changes in Equity**

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2016	20,762	282,873	154,063	457,698	1,723	459,421
<i>Comprehensive income:</i>						
Profit for the nine months ended 30 September 2016	-	-	10,825	10,825	617	11,442
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	10,825	10,825	617	11,442
Dividend paid (see Note 18)	-	-	(21,789)	(21,789)	-	(21,789)
Balance at 30 September 2016 (Reviewed/ Unaudited)	20,762	282,873	143,099	446,734	2,340	449,074

<i>In thousands of Polish Zlotys (PLN)</i>	<u>Attributable to the Equity holders of parent</u>				Non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Total		
Balance at 1 January 2015	20,762	282,873	145,607	449,242	2,099	451,341
<i>Comprehensive income:</i>						
Profit for the nine months ended 30 September 2015	-	-	2,065	2,065	(255)	1,810
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	2,065	2,065	(255)	1,810
Balance at 30 September 2015 (Reviewed/ Unaudited)	20,762	282,873	147,672	451,307	1,844	453,151

The notes included on pages 28 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Interim Condensed Consolidated Statement of Cash Flows**

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	For the 9 months ended 30 September 2016 (Reviewed) / (unaudited)	For the 9 months ended 30 September 2015 (Reviewed/ Unaudited)
Cash flows from/(used in) operating activities			
Profit for the period		11,442	1,810
<i>Adjustments to reconcile profit for the period to net cash used in operating activities</i>			
Depreciation		674	526
Write-down of inventory	9	-	226
Finance expense		6,587	5,501
Finance income		(1,523)	(1,281)
Profit on sale of property and equipment		(69)	(28)
Share of loss/(profit) from joint ventures		903	327
Share-based payment	12	105	(162)
Income tax (benefit)/expense		1,861	386
Subtotal		19,980	7,305
Decrease/(increase) in inventory		(13,241)	(43,942)
Decrease/(increase) in trade and other receivables and prepayments		9,150	(6,404)
Decrease/(increase) in other current financial assets		(6,522)	(1,789)
Increase/(decrease) in trade and other payables and accrued expenses		3,992	(694)
Increase/(decrease) in provisions		(38)	(83)
Increase/(decrease) in advances received		28,406	38,463
Subtotal		41,727	(7,144)
Interest paid		(7,568)	(8,748)
Interest received		1,114	987
Income tax received/(paid)		(105)	(21)
Net cash from/(used in) operating activities		35,168	(14,926)

The notes included on pages 28 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Interim Condensed Consolidated Statement of Cash Flows (cont'd)**

<i>In thousands of Polish Zlotys (PLN)</i>	<i>Note</i>	For the 9 months ended 30 September 2016 (Reviewed) / (unaudited)	For the 9 months ended 30 September 2015 (Reviewed/ Unaudited)
Cash flows from/(used in) investing activities			
Acquisition of property and equipment		(922)	(154)
Proceeds from loans granted to third parties		-	754
Investment in joint ventures and loans granted to joint ventures		412	(4,811)
Short-term bank deposits – collateralized		34	(2,062)
Proceeds from sale of property and equipment		152	28
Net cash from/(used in) investing activities		(324)	(6,245)
Cash flows from/(used in) financing activities			
Proceeds from bond loans, net of issue costs	<i>10</i>	53,939	29,403
Repayment of bond loans	<i>10</i>	(17,800)	-
Proceeds from bank loans, net of bank charges	<i>11</i>	36,329	102,302
Repayment of bank loans	<i>11</i>	(92,032)	(106,917)
Dividends paid to equity holders of the parent	<i>18</i>	(21,789)	-
Net cash from/(used in) financing activities		(41,353)	24,788
Net change in cash and cash equivalents		(6,509)	3,617
Cash and cash equivalents at beginning of period		99,531	70,590
Cash and cash equivalents at end of period		93,022	74,207

The notes included on pages 28 to 50 are an integral part of these interim condensed consolidated financial statements

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 1 – General and principal activities**

Ronson Europe N.V. (hereinafter “the Company”), a Dutch public company with its registered office located in Rotterdam, the Netherlands, was incorporated on 18 June 2007. The Company (together with its Polish subsidiaries, “the Group”) is active in the development and sale of residential units, primarily apartments, in multi-family residential real-estate projects to individual customers in Poland. Moreover, the Group leases real estate to third parties.

The shares of the Company are traded on the Warsaw Stock Exchange since 5 November 2007. As at 30 September 2016, 39.78% of the outstanding shares are controlled by I.T.R. 2012 B.V., which is an indirect subsidiary of Global City Holdings N.V. (‘ITR 2012’) (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and Amos Luzon Development and Energy Group Ltd. (‘A. Luzon Group’), (formerly ‘U. Dori Group Ltd.’)) and 39.78% of the outstanding shares are controlled by A. Luzon Group Ltd (32.11% through a jointly controlled partnership formed under Dutch law between ITR 2012 and ITR Dori B.V. (of which it holds 50% of the shares) and 7.67% through a jointly controlled company formed under Dutch law between ITR 2012 and A. Luzon Group). The remaining 20.44% of the outstanding shares are held by other investors including Metlife Otworthy Fundusz Emerytalny holding between 3% and 5% and Nationale Nederlanden Otworthy Fundusz Emerytalny holding between 5% and 10% of the outstanding shares. The number of shares held by the investors is equal to the number of votes, as there are no privileged shares issued by the Company.

On 9 November 2016, the Company concluded an agreement with ITR 2012, under which the Company agreed to acquire (in order to subsequently redeem) 108,349,187 of its shares held by ITR 2012. For additional information see note 19.

The Interim Condensed Consolidated Financial Statements of the Group have been prepared for the nine and three months ended 30 September 2016 and contain comparative data for the nine and three months ended 30 September 2015 and as at 31 December 2015. The Interim Condensed Consolidated Financial Statements of the Company for the nine months ended 30 September 2016 with all its comparative data have been reviewed by the Company’s external auditors.

As at 30 September 2016, the Groups’ market capitalization was below the value of net assets. Management took appropriate steps to review the accounts in respect if there is any additional impairment required and found no basis for it. The Management verified that the forecast margin potential in respect of the inventory is significantly positive.

The information about the companies from which the financial data are included in these Interim Condensed Consolidated Financial Statements and the extent of ownership and control are presented in Note 7.

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 were authorized for issuance by the Management Board on 14 November 2016.

Note 2 – Basis of preparation of Interim Condensed Consolidated Financial Statements

These Interim Condensed Consolidated Financial Statements have been prepared in accordance with IAS 34 “Interim financial reporting”.

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required in annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2015 prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union. At the date of authorization of these Interim Condensed Consolidated Financial Statements, in light of the nature of the Group’s activities, the IFRS applied by the Group are not different from the IFRS endorsed by the European Union. IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”). The Consolidated Financial Statements of the Group for the year ended 31 December 2015 are available upon request from the Company’s registered office at Weena 210-212, 3012 NJ Rotterdam, the Netherlands or at the Company’s website: www.ronson.pl

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 2 – Basis of preparation of Interim Condensed Consolidated Financial Statements (cont'd)**

On the basis of the option provided under Annual Improvements to IAS 34, disclosures of information related to income statement positions have been included in the Directors Report.

These Interim Condensed Consolidated Financial Statements have been prepared on the assumption that the Group is a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the normal course of its operations.

Note 3 – Summary of significant accounting policies

Except as described below, the accounting policies applied by the Company in these Interim Condensed Consolidated Financial Statements are the same as those applied by the Company in its consolidated financial statements for the year ended 31 December 2015.

The following standards and amendments became effective as of 1 January 2016:

- Amendments to IAS 27: Equity Method in Separate Financial Statements (issued on 12 August 2014)
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (issued on 12 May 2014)
- Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations (issued on 6 May 2014)
- Amendments to IAS 16 and IAS 41: Bearer Plants (issued on 30 September 2014)

The above amendments and improvements to IFRS do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

Note 4 – The use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

In preparing these Interim Condensed Consolidated Financial Statements, the significant judgments made by the Management Board in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

Note 5 – Functional and reporting currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in thousands of Polish Zloty ("PLN"), which is the Group's functional and presentation currency.

Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the statement of comprehensive income.

Note 6 – Seasonality

The Group's activities are not of a seasonal nature. Therefore, the results presented by the Group do not fluctuate significantly during the year due to the seasonality.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group

The details of the Polish companies whose financial statements have been included in these Consolidated Financial Statements, the year of incorporation and the percentage of ownership and voting rights directly held or indirectly by the Company as at 30 September 2016, are presented below and on the following page.

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2016	31 December 2015
a. held directly by the Company :			
1. Ronson Development Management Sp. z o.o.	1999	100.0%	100.0%
2. Ronson Development 2000 Sp. z o.o.	2000	100.0%	100.0%
3. Ronson Development Warsaw Sp. z o.o.	2000	100.0%	100.0%
4. Ronson Development Investment Sp. z o.o.	2002	100.0%	100.0%
5. Ronson Development Metropol Sp. z o.o.	2002	100.0%	100.0%
6. Ronson Development Properties Sp. z o.o.	2002	100.0%	100.0%
7. Apartments Projekt Sp. z o.o. (previously Ronson Development Apartments Sp. z o.o.)	2003	100.0%	100.0%
8. Ronson Development Enterprise Sp. z o.o.	2004	100.0%	100.0%
9. Ronson Development Company Sp. z o.o.	2005	100.0%	100.0%
10. Ronson Development Creations Sp. z o.o.	2005	100.0%	100.0%
11. Ronson Development Buildings Sp. z o.o.	2005	100.0%	100.0%
12. Ronson Development Structure Sp. z o.o.	2005	100.0%	100.0%
13. Ronson Development Poznań Sp. z o.o.	2005	100.0%	100.0%
14. E.E.E. Development Sp. z o.o.	2005	100.0%	100.0%
15. Ronson Development Innovation Sp. z o.o.	2006	100.0%	100.0%
16. Ronson Development Wrocław Sp. z o.o.	2006	100.0%	100.0%
17. Ronson Development Capital Sp. z o.o.	2006	100.0%	100.0%
18. Ronson Development Sp. z o.o.	2006	100.0%	100.0%
19. Ronson Development Construction Sp. z o.o.	2006	100.0%	100.0%
20. City 2015 Sp. z o.o. (previously named Ronson Development City Sp. z o.o.)	2006	100.0%	100.0%
21. Ronson Development Village Sp. z o.o. (*)	2007	100.0%	100.0%
22. Ronson Development Conception Sp. z o.o.	2007	100.0%	100.0%
23. Ronson Development Architecture Sp. z o.o.	2007	100.0%	100.0%
24. Ronson Development Skyline Sp. z o.o.	2007	100.0%	100.0%
25. Continental Development Sp. z o.o. (previously Ronson Development Continental Sp. z o.o.)	2007	100.0%	100.0%
26. Ronson Development Universal Sp. z o.o. (*)	2007	100.0%	100.0%
27. Ronson Development Retreat Sp. z o.o.	2007	100.0%	100.0%
28. Ronson Development South Sp. z o.o.	2007	100.0%	100.0%
29. Ronson Development Partner 5 Sp. z o.o. (previously Ronson Development West Sp. z o.o.)	2007	100.0%	100.0%
30. Ronson Development Partner 4 Sp. z o.o. (previously named Ronson Development East Sp. z o.o.)	2007	100.0%	100.0%
31. Ronson Development North Sp. z o.o.	2007	100.0%	100.0%
32. Ronson Development Providence Sp. z o.o.	2007	100.0%	100.0%
33. Ronson Development Finco Sp. z o.o.	2009	100.0%	100.0%
34. Ronson Development Partner 2 Sp. z o.o.	2010	100.0%	100.0%
35. Ronson Development Skyline 2010 Sp. z o.o. w likwidacji	2010	100.0%	100.0%
36. Ronson Development Partner 3 Sp. z o.o.	2012	100.0%	100.0%
b. held indirectly by the Company:			
37. AGRT Sp. z o.o.	2007	100.0%	100.0%
38. Ronson Development Partner 4 Sp. z o.o. (previously named Panoramika Sp.k.)	2007	100.0%	100.0%
39. Ronson Development Sp z o.o. - Estate Sp.k.	2007	100.0%	100.0%
40. Ronson Development Sp. z o.o. - Home Sp.k.	2007	100.0%	100.0%
41. Ronson Development Sp z o.o. - Horizon Sp.k.	2007	100.0%	100.0%
42. Ronson Development Partner 3 Sp. z o.o. - Sakura Sp.k.	2007	100.0%	100.0%
43. Ronson Development Sp z o.o. -Town Sp.k.	2007	100.0%	100.0%
44. Destiny Sp. z o.o. (previously named Ronson Development Destiny Sp. z o.o.)	2007	100.0%	100.0%
45. Ronson Development Millenium Sp. z o.o.	2007	100.0%	100.0%
46. Ronson Development Sp. z o.o. - EEE 2011 Sp.k.	2009	100.0%	100.0%
47. Ronson Development Sp. z o.o. - Apartments 2011 Sp.k.	2009	100.0%	100.0%

(*) The Company has the power to govern the financial and operating policies of this entity and to obtain benefits from its activities, whereas Kancelaria Radcy Prawnego Jarosław Zubrzycki holds the legal title to the shares of this entity.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 7 – Composition of the Group (cont'd)

Entity name	Year of incorporation	Share of ownership & voting rights at the end of	
		30 September 2016	31 December 2015
b. held indirectly by the Company (cont'd):			
48. Ronson Development Sp. z o.o. - Idea Sp.k.	2009	100.0%	100.0%
49. Ronson Development Partner 2 Sp. z o.o. –Destiny 2011 Sp.k. (previously named Ronson Development Sp. z o.o. - Destiny 2011) Sp.k.)	2009	100.0%	100.0%
50. Ronson Development Partner 2 Sp. z o.o. - Enterprise 2011 Sp.k.	2009	100.0%	100.0%
51. Ronson Development Partner 2 Sp. z o.o. - Retreat 2011 Sp.k.	2009	100.0%	100.0%
52. Ronson Development Partner 5 Sp. z o.o. - Vitalia Sp.k. (previously named Ronson Development Sp. z o.o. - Wrocław 2011 Sp.k.)	2009	100.0%	100.0%
53. Ronson Development Sp. z o.o. - 2011 Sp.k.	2009	100.0%	100.0%
54. Ronson Development Sp. z o.o. - Gemini 2 Sp.k.	2009	100.0%	100.0%
55. Ronson Development Sp. z o.o. - Verdis Sp.k.	2009	100.0%	100.0%
56. Ronson Espresso Sp. z o.o.	2006	82%	82%
57. Ronson Development Apartments 2010 Sp. z o.o.	2010	100.0%	100.0%
58. RD 2010 Sp. z o.o. (previously named Ronson Development 2010 Sp. z o.o.)	2010	100.0%	100.0%
59. Retreat Sp. z o.o. (previously named Ronson Development Retreat 2010 Sp. z o.o.)	2010	100.0%	100.0%
60. Enterprise 2010 Sp. z o.o. (previously Ronson Development Enterprise 2010 Sp. z o.o.)	2010	100.0%	100.0%
61. Wrocław 2010 Sp. z o.o. (previously Ronson Development Wrocław 2010 Sp. z o.o.)	2010	100.0%	100.0%
62. E.E.E. Development 2010 Sp. z o.o.	2010	100.0%	100.0%
63. Ronson Development Nautica 2010 Sp. z o.o.	2010	100.0%	100.0%
64. Gemini 2010 Sp. z o.o. (previously named Ronson Development Gemini 2010 Sp. z o.o.)	2010	100.0%	100.0%
65. Ronson Development Sp. z o.o. - Naturalis Sp.k.	2011	100.0%	100.0%
66. Ronson Development Sp. z o.o. - Impressio Sp.k.	2011	100.0%	100.0%
67. Ronson Development Sp. z o.o. - Continental 2011 Sp.k.	2011	100.0%	100.0%
68. Ronson Development Sp. z o.o. - Providence 2011 Sp.k.	2011	100.0%	100.0%
69. Ronson Development Partner 2 Sp. z o.o. - Capital 2011 Sp. k.	2011	100.0%	100.0%
70. Ronson Development Sp. z o.o. - Architecture 2011 Sp.k.	2011	100.0%	100.0%
71. Ronson Development Sp. z o.o. - City 1 Sp.k.	2012	100.0%	100.0%
72. Ronson Development Sp. z o.o. - City 2 Sp.k.	2012	100.0%	100.0%
73. Ronson Development Sp. z o.o. - City 3 Sp.k.	2012	100.0%	100.0%
74. District 20 Sp. z o.o.	2015	100.0%	100.0%
75. Królikarnia 2015 Sp. z o.o.	2015	100.0%	100.0%
76. Pod Skocznią Projekt Sp. z o.o.	2015	100.0%	100.0%
77. Tras Sp. z o.o.	2015	100.0%	100.0%
78. Arkadia Development Sp. z o.o.	2015	100.0%	100.0%
79. E.E.E. Development 2016 Sp. z o.o.	2016	100.0%	100.0%
80. Wrocław 2016 Sp. z o.o.	2016	100.0%	100.0%
81. Enterprise 2016 Sp. z o.o.	2016	100.0%	100.0%
82. Ronson Development Sp. z o.o.-City 4 Sp.k.	2016	100.0%	100.0%
83. Ronson Development Sp. z o.o.-City 5 Sp.k.	2016	100.0%	100.0%

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 – Segment reporting

The Group's operating segments are defined as separate entities developing particular residential projects, which for reporting purposes were aggregated. The aggregation for reporting purpose is based on geographical locations (Warsaw, Poznań, Wrocław and Szczecin) and type of activity (development of apartments, development of houses). Moreover, for two particular assets the reporting was based on type of income: rental income from investment property.

According to the Management Board's assessment, the operating segments identified have similar economic characteristics. Aggregation based on the type of development within the geographical location has been applied since primarily the location and the type of development determine the average margin that can be realized on each project and the project's risk factors. Considering the fact that the production process for apartments is different from that for houses and considering the fact that the characteristics of customers buying apartments slightly differ from those of customers interested in buying houses, aggregation by type of development within the geographical location has been used for segment reporting and disclosure purposes.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated indirectly based on reasonable criteria. The unallocated result (loss) comprises mainly head office expenses. Unallocated assets comprise mainly unallocated cash and cash equivalents and income tax assets. Unallocated liabilities comprise mainly income tax liabilities and floating rate bond loans.

Data presented in the table below are aggregated by type of development within the geographical location:

		As at 30 September 2016 (Reviewed)/(unaudited)										
		Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
		Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	478,551	31,782	8,743	147,813	-	84,005	2,599	70,093	7,727	-	831,313	
Unallocated assets	-	-	-	-	-	-	-	-	-	53,472	53,472	
Total assets	478,551	31,782	8,743	147,813	-	84,005	2,599	70,093	7,727	53,472	884,785	
Segment liabilities	111,725	831	-	67,165	-	4,438	-	7,211	-	-	191,370	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	244,341	244,341	
Total liabilities	111,725	831	-	67,165	-	4,438	-	7,211	-	244,341	435,711	

		As at 31 December 2015 (Audited)										
		Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
		Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Segment assets	456,454	33,357	8,743	136,475	-	73,065	2,607	71,173	7,736	-	789,610	
Unallocated assets	-	-	-	-	-	-	-	-	-	85,234	85,234	
Total assets	456,454	33,357	8,743	136,475	-	73,065	2,607	71,173	7,736	85,234	874,844	
Segment liabilities	152,459	1,014	-	44,660	-	4,064	-	10,262	-	-	212,459	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	202,964	202,964	
Total liabilities	152,459	1,014	-	44,660	-	4,064	-	10,262	-	202,964	415,423	

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

	For the nine months ended 30 September 2016 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	apartments	Houses		
Revenue	147,520	1,331	685	29,006	-	9,557	-	14,466	-	-	202,565
Segment result	33,916	(64)	437	(629)	-	(898)	(3)	(71)	(4)	-	32,684
Unallocated result	-	-	-	-	-	-	-	-	-	(14,317)	(14,317)
Result from Operating activities*	33,916	(64)	437	(629)	-	(898)	(3)	(71)	(4)	(14,317)	18,367
Net finance income/(expense)	(17)	(2)	-	38	-	81	-	(1)	(1)	(5,162)	(5,064)
Profit/(loss) before taxation	33,899	(66)	437	(591)	-	(817)	(3)	(72)	(5)	(19,479)	13,303
Income tax expense											(1,861)
Profit for the period											11,442
Capital expenditure	-	730	-	-	-	38	-	-	-	154	922

	For the nine months ended 30 September 2015 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	128,435	-	577	9,737	-	23,816	-	32	-	-	162,597
Segment result	19,042	(256)	361	1,040	-	(431)	(8)	(180)	(9)	-	19,559
Unallocated result	-	-	-	-	-	-	-	-	-	(13,143)	(13,143)
Result from operating activities*	19,042	(256)	361	1,040	-	(431)	(8)	(180)	(9)	(13,143)	6,416
Net finance income/(expense)	(256)	(4)	-	(4)	-	(214)	-	21	-	(3,763)	(4,220)
Profit/(loss) before taxation	18,786	(260)	361	1,036	-	(645)	(8)	(159)	(9)	(16,906)	2,196
Income tax expense											(386)
Profit for the period											1,810
Capital expenditure	-	-	-	-	-	-	-	-	-	154	154

* Results from operating activities including share of loss in joint ventures (which are developing apartments project in Warsaw), that amounted to PLN 903 thousands (expenses) during the nine months ended 30 September 2016 and PLN 327 thousands (expenses) during the nine months ended 30 September 2015.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 8 - Segment reporting (cont'd)

	In thousands of Polish Zlotys (PLN)										
	For the three months ended 30 September 2016 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	70,637	-	230	4,367	-	1,637	-	14,466	-	-	91,337
Segment result	19,054	(20)	140	(279)	-	(290)	(1)	74	(1)	-	18,677
Unallocated result	-	-	-	-	-	-	-	-	-	(4,657)	(4,657)
Result from operating activities *	19,054	(20)	140	(279)	-	(290)	(1)	74	(1)	(4,657)	14,020
Net finance income/(expense)	23	-	-	6	-	35	-	8	(1)	(1,986)	(1,915)
Profit/(loss) before taxation	19,077	(20)	140	(273)	-	(255)	(1)	82	(2)	(6,643)	12,105
Income tax expense											(1,767)
Profit for the period											10,338
Capital expenditure	-	730	-	-	-	38	-	-	-	154	922

	In thousands of Polish Zlotys (PLN)										
	For the three months ended 30 September 2015 (Reviewed)/(unaudited)										
	Warsaw			Poznań		Wrocław		Szczecin		Unallocated	Total
	Apartments	Houses	Rental	Apartments	Houses	Apartments	Houses	Apartments	Houses		
Revenue	42,470	-	201	1,900	-	23,812	-	-	-	-	68,383
Segment result	5,663	(28)	143	(137)	-	(183)	(2)	(86)	(3)	-	5,367
Unallocated result	-	-	-	-	-	-	-	-	-	(4,256)	(4,256)
Result from operating activities *	5,663	(28)	143	(137)	-	(183)	(2)	(86)	(3)	(4,256)	1,111
Net finance income/(expense)	(57)	(1)	-	16	-	(184)	-	-	-	(1,380)	(1,606)
Profit/(loss) before taxation	5,606	(29)	143	(121)	-	(367)	(2)	(86)	(3)	(5,636)	(495)
Income tax expense											24
Profit for the period											(471)
Capital expenditure	-	-	-	-	-	-	-	-	-	90	90

* Results from operating activities including share of loss in joint ventures (which are developing apartments project in Warsaw), that amounted to PLN 271 thousands (expenses) during the three months ended 30 September 2016 and PLN 84 thousands (expenses) during the three months ended 30 September 2015.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory

Movements in Inventory during the nine months ended 30 September 2016 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred to finished goods	Additions	Closing balance 30 September 2016
Land and related expense	342,699	(32,277)	56,672	367,094
Construction costs	154,067	(122,492)	109,948	141,523
Planning and permits	22,629	(5,906)	4,288	21,011
Borrowing costs ⁽¹⁾	65,533	(14,371)	5,321	56,483
Other	5,261	(2,512)	2,344	5,093
Work in progress	590,189	(177,558)	178,573	591,204

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 September 2016
Finished goods	122,511	177,558	(161,029)	139,040

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2016	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 September 2016
		Increase	Utilization	
Write-down	(11,413)	-	1,018	(10,395)
Total inventories at the lower of cost or net realizable value	701,287			719,849

(1) Borrowing costs are capitalized to the value of inventory with 6.64% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the year ended 31 December 2015 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred to finished units	Additions	Closing balance 31 December 2015
Land and related expense	393,499	(75,985)	25,185	342,699
Construction costs	155,134	(181,220)	180,153	154,067
Planning and permits	27,317	(10,195)	5,507	22,629
Borrowing costs ⁽¹⁾	82,639	(26,517)	9,411	65,533
Other	5,381	(3,695)	3,575	5,261
Work in progress	663,970	(297,612)	223,831	590,189

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 31 December 2015
Finished goods	55,209	297,612	(230,310)	122,511

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Revaluation write down recognized in statement of comprehensive income		Closing balance 31 December 2015
		Increase	Utilization	
Write-down	(12,678)	(226)	1,491	(11,413)
Total inventories at the lower of cost or net realizable value	706,501			701,287

(1) Borrowing costs were capitalized to the value of inventory with 6.38% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements

Note 9 – Inventory (cont'd)

Movements in Inventory during the nine months ended 30 September 2015 were as follows:

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred to finished goods	Additions	Closing balance 30 September 2015
Land and related expense	393,499	(59,083)	24,741	359,157
Construction costs	155,134	(138,723)	150,017	166,428
Planning and permits	27,317	(7,978)	4,216	23,555
Borrowing costs ⁽¹⁾	82,639	(20,255)	7,350	69,734
Other	5,381	(2,861)	2,619	5,139
Work in progress	663,970	(228,900)	188,943	624,013

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Transferred from work in progress	Recognized in the statement of comprehensive income	Closing balance 30 September 2015
Finished goods	55,209	228,900	(138,666)	145,443

<i>In thousands of Polish Zlotys (PLN)</i>	Opening balance 1 January 2015	Revaluation write down recognized in statement of comprehensive income		Closing balance 30 September 2015
		Increase	Utilization	
Write-down	(12,678)	(226)	1,015	(11,889)
Total inventories at the lower of cost or net realizable value	706,501			757,567

(1) Borrowing costs are capitalized to the value of inventory with 6.47% average effective capitalization interest rate.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans**

The table below presents the movement in Floating rate bond loans during the nine months ended 30 September 2016, during the year ended 31 December 2015 and during the nine months ended 30 September 2015:

<i>In thousands of Polish Zlotys (PLN)</i>	For the nine months ended 30 September 2016 (Reviewed/ Unaudited)	For the year ended 31 December 2015 (Audited)	For the nine months ended 30 September 2015 (Reviewed/ Unaudited)
Opening balance	190,297	159,749	159,749
Repayment of bond loans	(17,800)	(15,000)	-
Proceeds from bond loans	55,000	45,000	30,000
Issue cost	(1,061)	(757)	(597)
Issue cost amortization	977	1,157	857
Accrued interest	8,751	10,611	7,886
Interest repayment	(6,245)	(10,463)	(5,426)
Total closing balance	229,919	190,297	192,469
Closing balance includes:			
Current liabilities	86,682	18,759	36,011
Non-current liabilities	143,237	171,538	156,458
Total closing balance	229,919	190,297	192,469

New Floating rate bond loans issued during the nine months ended 30 September 2016:

On 25 February 2016, the Company issued 10,000 series M bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series M bonds shall be redeemed on 25 February 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.65% margin. Interest is payable semi-annually in February and August until redemption date.

On 17 March 2016, the Company issued 10,000 series N bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series N bonds shall be redeemed on 14 September 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.60% margin. Interest is payable semi-annually in March and September until redemption date.

On 8 April 2016, the Company issued 10,000 series O bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series O bonds shall be redeemed on 8 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.50% margin. Interest is payable semi-annually in April and October until redemption date.

On 29 July 2016, the Company issued 15,000 series Q bonds with a total nominal value of PLN 15,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series Q bonds shall be redeemed on 29 July 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.50% margin. Interest is payable semi-annually in July and January until redemption date.

On 18 August 2016, the Company issued 10,000 series P bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series P bonds shall be redeemed on 18 August 2020. The bonds carry an interest rate of 5.25%. Interest is payable quarterly in February, May, August and November until redemption date.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 10 – Floating rate bond loans (cont'd)****New Floating rate bond loans issued during the nine months ended 30 September 2016 (cont'd)**

The terms and conditions of the issuance of the series M, N, O, P and Q bonds include provisions regarding early redemption at a bondholder's request to be made prior to 25 February 2020, 14 September 2019, 8 April 2019, 18 August 2020 and 29 July 2020, respectively, in case of the occurrence of certain events covering a number of obligations and restrictions applicable to the Company, including the obligation to maintain its financial ratios at certain levels and restrictions on related party transactions.

The series M, N, O, P and Q bonds are not secured.

Floating rate bond loans repaid during the nine months ended 30 September 2016:

On 14 June 2016, the Company repaid all outstanding bonds series D (15,550 bonds with total nominal value of PLN 15,550 thousand) in date of their maturity. Following this repayment, the total number of outstanding bonds series D amounted to nil.

On 15 July 2016, at the date of their maturity, the Company repaid all outstanding bonds series E (2,250 bonds with total nominal value of PLN 2,250 thousand). Following this repayment, the total number of outstanding bonds series E amounted to nil.

Floating rate bond loans issued before 31 December 2015:

The maturity dates and the conditions of the floating rate bonds loans series C, F, G, H, I, J, K and L have been presented in the annual consolidated financial statements for the year ended 31 December 2015.

The series G, H, I, J, K and L bonds are not secured. The series C bonds are secured by joint mortgage up to PLN 100,200 thousand established by the Company's Polish subsidiaries. Moreover, the ratio between the value of the pledged properties and the total nominal value of the Bonds issued shall not decrease below 90%. The series F bonds are secured by a mortgage up to PLN 42,000 thousand established by one of the Company's Polish subsidiaries on the plots situated in Warsaw at Jaśminowa Street.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenants for series C:**

Based on the bonds conditions, in each reporting period the Company shall test the ratio between Net debt to Equity (hereinafter “Ratio” or “Net Indebtedness Ratio”). The Ratio shall not exceed 60% however if during the Reporting Period the Company paid dividend or performed any buy-out of its treasury shares then the Ratio shall not exceed 50%.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of loans and borrowings (as well as guarantees of payment) less the consolidated value of cash and cash equivalents and short-term bank deposits - collateralized.

Equity - shall mean the consolidated balance sheet value of the equity attributable to equity holders of the parent, less the value of the intangible assets (excluding any financial assets and receivables), including specifically (i) the intangible and legal assets, goodwill and (ii) the assets constituting deferred income tax decreased by the value of the provisions created on account of the deferred income tax, however, assuming that the balance of those two values is positive. If the balance of assets and provisions on account of deferred income tax is negative, the adjustment referred to in item (ii) above shall be zero.

Reporting period - shall mean the quarterly reporting period with respect to which the Group Net Indebtedness Ratio will be tested, while a “Reporting period” shall mean a single reporting period, i.e. each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	30 September 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	141,878
Equity	444,898
Net Indebtedness Ratio	31.9%

Financial ratio covenants for series F and H:

Based on the conditions of bonds F and H in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter “Net Indebtedness Ratio”). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities (as well as guarantees of payment) less the consolidated value of cash and cash equivalents.

Equity - shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	30 September 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	145,937
Equity	449,074
Net Indebtedness Ratio	32.5%

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 10 – Floating rate bond loans (cont'd)****Financial ratio covenants (cont'd):****Financial ratio covenants for series G, I, J, K, L, M, N, O, P and Q:**

Based on the conditions of bonds G, I, J, K, L, M, N, O, P and Q in each reporting period the Company shall test the ratio of Net debt to Equity (hereinafter “Net Indebtedness Ratio”). The Ratio shall not exceed 80% on the Check Date.

The Net Indebtedness Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities (as well as guarantees of payment) less the consolidated value of cash and cash equivalents and less cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets).

Equity - shall mean the consolidated balance sheet value of the equity.

Check date – last day of each calendar quarter.

The table presenting the Net Indebtedness Ratio as at the end of the Reporting period:

As at	30 September 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	135,217
Equity	449,074
Net Indebtedness Ratio	30.1%

In addition to the above, based on the conditions of bonds G, in each reporting period the Company shall test the Net debt to Inventory Ratio (hereinafter “Net Debt to Inventory Ratio”). The Ratio shall not exceed 50% on the Check Date.

The Net Debt to Inventory Ratio is Non-GAAP Financial Measure and is calculated according to formulas provided below:

Net debt - shall mean the total consolidated balance sheet value of all interest bearing liabilities (as well as guarantees of payment) less the consolidated value of cash and cash paid by Company’s clients blocked temporarily on the escrow accounts servicing ongoing projects that are under construction (presented in the Company’s consolidated balance sheet under Other current financial assets).

Inventory - shall mean the consolidated balance sheet value of the inventory of the Company less advances received from the customers.

Check date – last day of each calendar quarter.

The table presenting the Net Debt to Inventory Ratio as at the end of the Reporting period:

As at	30 September 2016
<i>In thousands of Polish Zlotys (PLN)</i>	(Reviewed/ Unaudited)
Net debt	135,217
Inventory	574,562
Net Debt to Inventory Ratio	23.5%

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 11 – Secured bank loans**

The following non-current and current Secured bank loans were issued and repaid during the nine months ended 30 September 2016, during the year ended 31 December 2015 and during the nine months ended 30 September 2015:

<i>In thousands of Polish Zloty (PLN)</i>	For the nine months ended 30 September 2016 (Reviewed/ Unaudited)	For the year ended 31 December 2015 (Audited)	For the nine months ended 30 September 2015 (Reviewed/ Unaudited)
Opening balance	56,902	73,704	73,704
New bank loan drawdown	37,318	133,383	103,142
Bank loans repayments	(92,032)	(150,125)	(106,917)
Bank charges	(989)	(930)	(840)
Bank charges amortization	734	870	659
Accrued interest/(interest repayment) on bank loans, net	(5)	-	(3)
Total closing balance	1,928	56,902	69,745
Closing balance includes:			
Current liabilities	-	14,803	10,803
Non-current liabilities	1,928	42,099	58,942
Total Closing balance	1,928	56,902	69,745

The maturity dates of the loans have been presented in the annual consolidated financial statements for the year ended 31 December 2015. For more details, see Note 18 Events during the period (Bank Loans) and Note 19 Subsequent events (Bank Loans).

As at 30 September 2016, 31 December 2015 and 30 September 2015, the Company has not breached any loan covenant, which would expose the Company for risk of obligatory and immediate repayment of any loan and has been able to extend all expiring loan facilities.

Note 12 – Share based payments under the Company’s employee incentive plan

In February 2014 the Company implemented a long-term incentive plan (the ‘Plan’), addressed to selected key employees, which is based on the price performance of the Company’s shares (the “Phantom Stock Plan”). The Phantom Stock Plan, which does not assume any new issue of shares and which will not result in any new shares supply is based on the following key assumptions and includes the settlement mechanism. For additional information see note 35 of the Consolidated Financial Statements for the year ended 31 December 2015.

On 24 March 2016, the Company executed annexes to the Phantom Stock Plan as approved by the Remuneration Committee of the Company’s Supervisory Board. The annexes comprised the following changes:

- i. the exercise price of one option originally assumed the conditions of the Phantom Stock Plan in the amount of PLN 1.60 shall be adjusted by dividends paid out by the Company during vesting and exercise periods. The adjustment mechanism applies only to options that are not exercised as of date of dividend payment (being the basis for adjustment) and applies until the last day of exercise period;

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 12 – Share based payments under the Company’s employee incentive plan (cont’d)**

ii. in addition to the options vested by employees until the end of 2015, additional new options shall be offered, which may be vested at the end of 2016. The number of the additional options is equal to 25% of the options vested until the end of 2015 (resulting in an increase of the total number of options from 2,705,000 to 3,381,250); each of the employees received the same proportion of the new options, i.e. 25% of the options that were vested by such employee based on the original agreement;

iii. all options granted within the Phantom Stock Plan – both the ones that have been vested until the end of 2015 as well as the new options that may be vested by the end of 2016 – expire as of the end of June 2019 or within 18 months since the departure of the employee, depending which occurs first.

Out of the total 676,250 new options added to the plan, 237,500 were allocated to Tomasz Łapiński and 168,750 were allocated to Andrzej Gutowski, while 270,000 options were allocated to other key employees of the Company (who joined the incentive plan in February 2014).

As at 30 September 2016, the total number of options granted is 3,381,250, the weighted average fair value of these options using the Black-Scholes valuation model is approximately PLN 0.23 per option. The significant inputs into the model were a weighted average share price of PLN 1.39, the exercise price of PLN 1.45, a volatility of 38%, dividend yield of 3%, an option life of 1.25 years and an annual risk free rate of 6%.

The fair value of these options, as at 30 September 2016 and 31 December 2015, amounting to PLN 735 thousand and PLN 630 thousands, respectively, has been included in the Company’s consolidated balance sheet under Share based payment liabilities. The change in fair value for the nine months ended 30 September 2016 and 30 September 2015, resulting from vesting of the subsequent tranches as well as changes in the inputs into the Black-Scholes valuation model, amounting to PLN 105 thousand (negative) and PLN 162 thousand (negative), respectively, is recognized in employee benefits expense.

As of 30 September 2016, no options have been exercised.

Note 13 – Income tax

	For the 9 months ended 30 September 2016 (Reviewed/ Unaudited)	For the 3 months ended 30 September 2016 (Reviewed/ Unaudited)	For the 9 months ended 30 September 2015 (Reviewed/ Unaudited)	For the 3 months ended 30 September 2015 (Reviewed/ Unaudited)
<i>In thousands of Polish Zlotys (PLN)</i>				
Current tax expense/(benefit)	174	40	116	54
Deferred tax expense/(benefit)				
Origination and reversal of temporary differences	3,001	2,409	1,185	(513)
Expense/(benefit) of tax losses recognized	(1,314)	(682)	(915)	435
Total deferred tax expense/(benefit)	1,687	1,727	270	(78)
Total income tax expense/(benefit)	1,861	1,767	386	(24)

The low effective tax rate during the nine months ended 30 September 2016 and 30 September 2015 explained by the recognition of tax assets. The recognition of the tax assets took place after an organizational restructuring of the Group, which allowed the Company to utilize certain tax losses that in prior periods were deemed not to be usable.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies****(i) Investment commitments:**

The amounts in the table below present uncharged investment commitments of the Group in respect of construction services to be rendered by the general contractors:

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2016 (Reviewed/ Unaudited)	As at 31 December 2015 (Audited)
Moko I	-	8,115
Moko II	1,878	16,293
Kamienica Jeżyce I	-	15,461
Kamienica Jeżyce II	7,786	20,004
Panoramika II	-	9,466
Panoramika III	14,610	-
Chilli IV	7,561	-
Nova Królikarnia I	37,794	-
Miasto Moje I ^(*)	37,971	-
Vitalia I	14,811	25,350
Espresso II	-	3,409
Espresso III	7,278	22,890
Espresso IV	25,469	-
Młody Grunwald III	17,846	-
Total	173,004	120,988

^(*) The Company signed a construction agreement with a general contractor for the Miasto Moje II project for a total amount of PLN 26,507 thousand. The construction of this project is planned to commence during the first quarter of 2017.

(ii) Contingent commitments:

The Company provided financial support to Ronson IS (JV in which the Company holds 50%) in its performance of the project (City Link) to the amount equal to value of secured receivables (i.e. the Bank's receivables with respect to Ronson IS under the Loan Facility Agreement between Ronson IS sp. z o.o. sp.k. and Bank Polska Kasa Opieki S.A. assuming a loan facility in total amount of no more than PLN 86.2 million). As at end of September 2016, the balance of the loan supported by the mentioned guarantee amounts to PLN 4.1 million.

(iii) Unutilized construction loans:

The table below presents the list of the construction loan facilities, which the Company arranged for in conjunction with entering into loan agreements with the banks in order to secure financing of the construction and other outstanding costs of the ongoing projects. The amounts presented in the table below include the unutilized part of the construction loans available to the Company:

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 14 – Investment commitments, Contracted proceeds not yet received and Contingencies (cont'd)****(iii) Unutilized construction loans (cont'd):**

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2016 (Reviewed/ Unaudited)	As at 31 December 2015 (Audited)
Nova Królikarnia I-V	61,880	-
Miasto Moje I	36,252	-
Espresso II	-	9,615
Espresso III	-	20,374
Espresso IV	39,270	-
Młody Grunwald II	-	7,450
Młody Grunwald III	23,130	-
Moko I-II	-	6,391
Kamienica Jeżyce I	-	22,026
Kamienica Jeżyce II	-	24,938
Panoramika II	-	12,703
Vitalia I	27,949	-
Total	188,481	103,497

(iv) Contracted proceeds not yet received:

The table below presents amounts to be received from the customers having bought apartments from the Group and which are based on the value of the sale and purchase agreements signed with the clients until 30 September 2016 after deduction of payments received at the reporting date (such payments being presented in the Interim Consolidated Statement of Financial Position as Advances received):

<i>In thousands of Polish Zlotys (PLN)</i>	As at 30 September 2016 (Reviewed/ Unaudited)	As at 31 December 2015 (Audited)
Moko I	1,595	24,404
Tamka	2,577	4,251
Kamienica Jeżyce I	6,474	18,270
Kamienica Jeżyce II	11,179	11,665
Espresso II	1,855	28,847
Sakura	1,472	2,436
Verdis	1,832	948
Moko II	12,655	24,869
Impressio I,II	3,046	3,271
Młody Grunwald II	1,460	5,981
Młody Grunwald III	5,854	-
Panoramika II	366	8,176
Panoramika III	1,157	-
Espresso III	10,821	19,110
Espresso IV	14,624	-
Młody Grunwald I	3	1,448
Naturalis I, II & III	347	2,502
Vitalia	1,413	-
Cilli IV	921	-
Nova Królikarnia I-V	21,932	-
Other (old) projects	1,445	1,728
Total	103,028	157,906

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 15 – Financial risk management****(i) Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including real estate market risk and fair value interest rate risk), credit risk and liquidity risk. The Interim Condensed Consolidated Financial Statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements as at 31 December 2015 (Note 40). There have been no changes in the risk management department since year end or in any risk management policies.

(ii) Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities, except for the assumption of new loans and redemption of existing loans during the nine months period ended 30 September 2016 as described in Notes 10 and 11.

(iii) Market (price) risk

The Group's exposure to marketable and non-marketable securities price risk did not exist because the Group had not invested in securities during the nine months period ended 30 September 2016.

(iv) Fair value estimation

The Investment property is valued at fair value determined by the Management.

During the nine months ended 30 September 2016 there were no significant changes in the business or economic circumstances that affect the fair value of the group's financial assets, investment property and financial liabilities.

(v) Interest rate risk

All the loans and borrowings of the Group are bearing variable interest rate, which creates an exposure to a risk of changes in cash flows due to changes in interest rates.

Note 16 – Related party transactions

There were no transactions and balances with related parties during nine months ended 30 September 2016 other than remuneration of Management Board, share based payment (for reference please refer to note 12), loans granted to and received from related parties and reimbursement of audit review costs. All these transactions were already disclosed in the 2015 annual accounts.

Note 17 – Impairment losses and provisions

During the nine months ended 30 September 2016 and 30 September 2015, the Group did not recognize any impairment, nor created any significant provision.

Note 18 – Events during the period**Investment in joint ventures**

As at 30 September 2016, from the total amount of loans granted to joint ventures (amounting in total to PLN 21,720 thousand) loans in the aggregate amount of PLN 15,140 thousand are maturing no later than 30 September 2017. The short term loans granted to joint ventures cannot be regarded as a part of the investment in joint ventures and are presented in the Interim Condensed Consolidated Statement of the Financial Statement under current assets as Loans granted to joint ventures.

This change is a non-cash item and has no impact on the presentation in the Interim Condensed Consolidated Statement of Cash Flow.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016**Notes to the Interim Condensed Consolidated Financial Statements****Note 18 – Events during the period (cont'd)****Bonds loans**

On 25 February 2016, the Company issued 10,000 series M bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series M bonds shall be redeemed on 25 February 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.65% margin. Interest is payable semi-annually in February and August until redemption date.

On 17 March 2016, the Company issued 10,000 series N bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series N bonds shall be redeemed on 14 September 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.60% margin. Interest is payable semi-annually in March and September until redemption date.

On 8 April 2016, the Company issued 10,000 series O bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series O bonds shall be redeemed on 8 April 2019. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.50% margin. Interest is payable semi-annually in April and October until redemption date.

On 15 July 2016, at the date of their maturity, the Company repaid all outstanding bonds series E (2,250 bonds with total nominal value of PLN 2,250 thousand). Following this repayment, the total number of outstanding bonds series E amounted to nil.

On 29 July 2016, the Company issued 15,000 series Q bonds with a total nominal value of PLN 15,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series Q bonds shall be redeemed on 29 July 2020. The bonds carry an interest rate composed of a base rate equal to 6 months Wibor plus 3.50% margin. Interest is payable semi-annually in July and January until redemption date.

On 18 August 2016, the Company issued 10,000 series P bonds with a total nominal value of PLN 10,000 thousand. The nominal value of one bond amounts to PLN 1,000 and is equal to its issue price. The series P bonds shall be redeemed on 18 August 2020. The bonds carry fixed interest rate equal to 5.25% p.a. Interest is payable quarterly in February, May, August and in November until redemption date.

Bank loans

During the nine months ended 30 September 2016, the Company redeemed bank loans for a total amount of PLN 92 million.

In March 2016, the Company executed a loan agreement with Alior Bank S.A. related to the first phase of the Vitalia project in Wrocław. Under this loan agreement Alior Bank is to provide financing to cover the costs of construction up to a total amount of PLN 27.9 million. Under the loan agreement, the final repayment date of the loan facility is March 2019.

In July 2016, the Company executed a loan agreement with Alior Bank S.A. related to the fourth phase of the Espresso project in Warsaw. Under this loan agreement Alior Bank is to provide financing to cover the costs of construction up to a total amount of PLN 39.3 million. Under the loan agreement, the final repayment date of the loan facility is December 2018.

In August 2016, the Company executed a loan agreement with Bank BZWBK S.A. related to the third phase of the Młody Grunwald project in Poznań. Under this loan agreement BZWBK is to provide financing to cover the costs of construction up to a total amount of PLN 23.1 million. Under the loan agreement, the final repayment date of the loan facility is August 2019.

In September 2016, the Company's subsidiaries executed loan agreements with Alior Bank S.A. related to the first stages of the Nova Królikarnia project in Warsaw. Under these loan agreements Alior Bank is to provide financing to cover the costs of construction up to a total amount of PLN 61.9 million. Under the loan agreements, the final repayment date of the loan facilities is December 2018.

In September 2016, the Company executed a loan agreement with Bank BZWBK S.A. related to the first phase of the Miasto Moje project in Warsaw. Under this loan agreement BZWBK is to provide financing to cover the costs of construction up to a total amount of PLN 36.3 million. Under the loan agreement, the final repayment date of the loan facility is October 2019.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 18 – Events during the period (cont'd)****Commencements of new projects**

In March 2016, the Company commenced the construction work and pre-sales of the Espresso IV project, which will comprise 146 units with an aggregate floor space of 8,100 m².

In March 2016, the Company commenced the construction work and pre-sales of the Młody Grunwald III project, which will comprise 108 units with an aggregate floor space of 7,100 m².

In May 2016, the Company commenced the construction work and pre-sales of the Panoramika III project, which will comprise 122 units with an aggregate floor space of 5,800 m².

In June 2016, the Company commenced pre-sales of the City Link II project, which will comprise 189 units with an aggregate floor space of 8,800 m².

In June 2016, the Company commenced the construction work and pre-sales of the Chilli IV project, which will comprise 45 units with an aggregate floor space of 2,900 m².

In June 2016, the Company commenced the construction work of the Nova Królikarnia I-IV project, which will comprise 106 units with an aggregate floor space of 10,700 m². The sales for this project were commenced in July 2016.

In June 2016, the Company commenced the construction work of the Miasto Moje I project, which will comprise 205 units with an aggregate floor space of 10,900 m². The Company commenced sales for this project in September 2016.

Completions of projects

In May 2016, the Company completed the construction of the Espresso II project comprising 151 units with a total area of 7,600 m².

In June 2016, the Company completed the construction of the Moko I project comprising 178 units with a total area of 11,200 m².

In July 2016, the Company completed the construction of the Panoramika II project comprising 107 units with a total area of 5,900 m².

In September 2016, the Company completed the construction of the Kamienica Jeżyce I project comprising 144 units with a total area of 7,800 m².

Land purchase

In May 2016, the Company completed the acquisition of all rights to a plot of land at Marywilska Street in the Białołęka district in Warsaw with a size of 76,300 m². According to the valid zoning conditions, the plot is dedicated for development of a residential multifamily project. The total purchase price amounted to PLN 36.1 million (net of VAT).

In August 2016, the Company completed the acquisition of another part of plot at Jaśminowa Street in Warsaw for its project Nova Królikarnia. Pursuant to a preliminary purchase agreement entered into with the Sellers of the property at Jaśminowa Street in Warsaw in June 2012 (the "Sellers"), the Company had the right to purchase properties with a total area up to 118,400 m² ("Real Properties"), provided that the Sellers fulfil a number of conditions precedent, which included concluding a court dispute between the Sellers and third parties concerning some of the properties covered by the preliminary purchase agreement (the "Disputed Real Properties"). Due to the fact that the above mentioned court dispute had not been concluded until May 2014, the agreements signed with the Sellers on that date did not include the Disputed Real Properties (and the total area of land initially purchased by the Company in 2014 amounted to 82,000 m²). Following a positive final outcome of the disputes concerning the Disputed Real Properties, the Company purchased also the outstanding plots of land (i.e. Disputed Real Properties) in August 2016, based on the same conditions that were already agreed with the Sellers in 2012. The total purchase price for the undisputed Real Properties that was settled by the Company until May 2014 was PLN 65.6 million and the price paid for the remaining plots, i.e. the Disputed Real Properties, in August 2016 amounted to PLN 17.4 million.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 18 – Events during the period (cont'd)****Dividends**

On 10 August 2016, during an extra-ordinary General Meeting of Shareholders, the shareholders of the Company accepted distribution of dividends as proposed by the Board of Managing Directors and the Board of Supervisory Directors. The dividend in a total amount of PLN 21,788,800 or PLN 0.08 per ordinary share, was declared and paid on 24 August 2016.

Note 19 – Subsequent events**Bond loans**

Since 30 September 2016, the Company has not issued nor repurchased any new bonds.

Bank loans

Since 30 September 2016, neither the Company, nor any its subsidiary has entered into any new loan agreement.

Commencements of new projects

In November 2016, the Company commenced construction works of the City Link II project, in which the pre-sales commenced earlier this year in June.

Completions of projects

In October 2016, the Company completed the construction of the Moko II project comprising 167 units with a total area of 12,500 m².

Land purchase

In October 2016, the Company entered into a final agreement concerning the sale of the right of perpetual usufruct of an undeveloped property located in the Grunwald district in Poznań. The Seller has obtained the final planning permit (decyzja o warunkach zabudowy) issued by the mayor of the City of Poznań, which sets out the terms and detailed land development conditions for this property and refers to an investment involving the construction of a building with residential, commercial and office space, an underground parking garage and the necessary technical infrastructure. The Company intends to build nearly 300 apartments on this property. The price of the disposal of the right of perpetual usufruct to the property has been fixed at PLN 9.5 million and has been increased by applicable VAT. According to the agreement, the full price has been paid within three working days.

In October 2016, the Company entered into a final agreement concerning the sale of the right of perpetual usufruct of an undeveloped property located in the Ursus district in Warsaw. The territory of this property is covered by a binding zoning master plan. The property concerned is a part of greater area, which is planned to be purchased by the Company for the development of a multifamily residential project with necessary infrastructure. In the entire project, after purchasing all real properties that the Company is interested in, the Company intends to build over 150 apartments. The price of the disposal of the right of perpetual usufruct to the property has been fixed at PLN 1.2 million to be increased by applicable VAT. The full price was paid by the Company on the date of conclusion of the mentioned agreement.

Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016

Notes to the Interim Condensed Consolidated Financial Statements**Note 19 – Subsequent events****Other**

On 9 November 2016, the Company concluded an agreement with one of its principal shareholders, I.T.R 2012 B.V. (“ITR 2012”), under which the Company agreed to acquire (in order to subsequently redeem) 108,349,187 of its shares held by ITR 2012, which constitute 39.78% of the share capital and carry the right to exercise a corresponding percentage of the votes at the Company’s general shareholders’ meeting, for PLN 1.30 per share and the total price of PLN 140.8 million. In return, the Company will sell to ITR 2012 certain shares in project companies and properties constituting the Nova Królikarnia project for the price of approximately PLN 161.8 million. The abovementioned transaction (the “Transaction”) will involve the Company receiving a surplus payment in cash representing a part of the costs incurred in connection with the execution of the Nova Królikarnia project that should amount to approximately PLN 21 million.

The completion of the Transaction is conditional – among others - on the adoption by the Company’s general meeting of shareholders of the resolutions authorizing the Company to buy back the shares held by ITR 2012 and waiving the obligation of Luzon Group to make a public takeover bid as a result of the Transaction. For more information please see the Company’s current reports no. 32 and 33 of 2016.

The Management Board

Shraga Weisman
Chief Executive Officer

Tomasz Łapiński
Chief Financial Officer

Andrzej Gutowski
Sales and Marketing Director

Erez Yoskovitz

Roy Vishnovizki

Rotterdam, 14 November 2016

Independent Auditors' Report on Review of Interim Condensed Consolidated Financial Statements

Review report

To: the board of directors, the supervisory board and shareholders of Ronson Europe N.V.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Ronson Europe N.V., with its registered seat in Rotterdam (the Company) as at 30 September 2016, which comprise the interim consolidated statement of financial position as at 30 September 2016 and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the nine months period then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information for the nine months period ended 30 September 2016 are not prepared, in all material respects, in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union.

Amsterdam, 14 November 2016

Ernst & Young Accountants LLP

M. Rooks